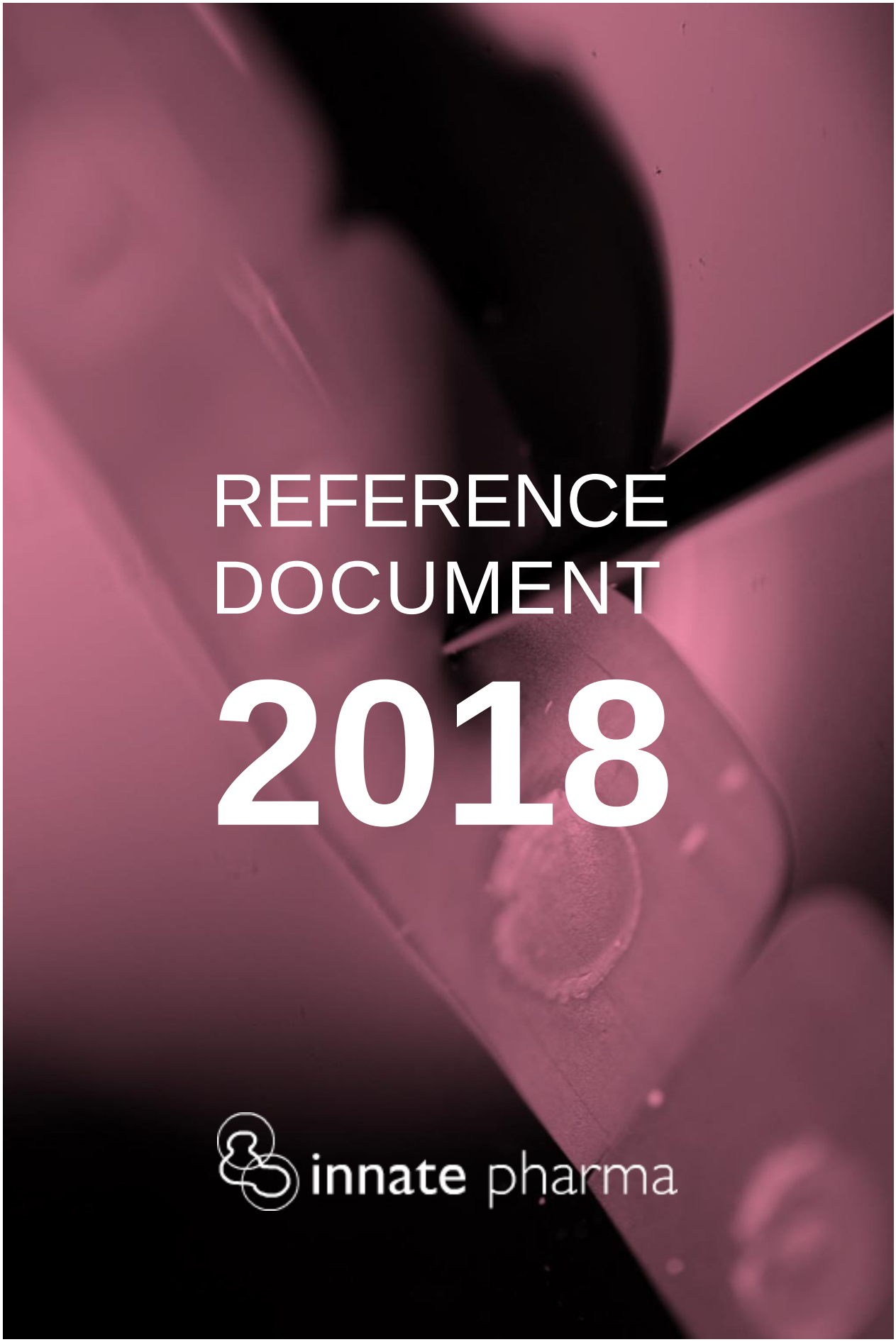


REFERENCE DOCUMENT

2018

innate pharma

This is a free translation into English of Innate Pharma's reference issued in the French language for informational purposes only

A *Société Anonyme* organized with an Executive board and a Supervisory board
with a share capital of 3,202,920.85 euros
consisting of 64, 043,905 ordinary Shares, 6,931 2016 preferred shares and 7,581 2017 preferred shares of 0.05

euros each

Registered Office: 117 Avenue de Luminy, 13009 Marseille
Marseille Business and Company Registry, No. 424 365 336

REFERENCE DOCUMENT

ANNUAL FINANCIAL REPORT

This Reference document was submitted to the Autorité des Marchés Financiers (the "AMF") on April 30, 2019, in application of Article 212-13 of the AMF general regulations. It may be used to support a financial operation if it is complemented by a "Note d'opération" approved by the AMF. This document was drawn up by the issuer; the signatories bear responsibility for its content.

Copies of this document are available free of charge from Innate Pharma SA, 117 Avenue de Luminy, 13009 Marseille, or from the websites of Innate Pharma (http://www.innate-pharma.com) and the AMF (http://www.amf-france.org).

NOTE

In this Reference document, the terms "We", "the Company" and "Innate Pharma" refer to Innate Pharma SA with or without its subsidiaries.

This Reference document contains data pertaining to the Company's activity as well as to the market and industry in which it operates. Some of this information comes from external sources that are recognized in the field, but this information has not been independently verified by the Company.

A glossary defining some technical terms to which reference is made and cross-reference tables are given at the end of this Reference document.

The goals, statements and forecasts summarized in this Reference document are primarily based on data, assumptions and estimates which the Company believes to be reasonable. Investors should be aware that these forecasts depend on future circumstances or events which may or may not occur. These statements are not historical facts and should not be interpreted as guarantees that the facts and data given will occur or that the goals will be reached. The information, assumptions, estimates and items taken into account to determine these goals, statements and forecasts, may turn out to be erroneous or not occur, and could change based on uncertainties in the economic, financial, competitive and regulatory environment. In addition, some information, assumptions and estimates are wholly or partly based on or result from assessments or decisions made by the Company's management, directors or shareholders, and may change or be amended in the future. Also, the occurrence of certain risks described in 1.9 "Risk Factors" in this Reference document may have an impact on the Company's activities and the achievement of the goals, statements, and forecasts set forth above. The Company and shareholders therefore assume no liability and provide no guarantees as to the achievement of the goals, statements, and forecasts described in this Section or elsewhere in the Reference document.

CONTENTS

SELECTED FINANCIAL AND OPERATING INFORMATION

1

The table below presents the Company' selected financial information prepared according to IFRS Standards as adopted by the European Union for each fiscal year since the fiscal year ended December 31, 2016. The 2018 consolidated accounts are shown in section 3.3 of this Reference document. Comments on the data set forth in the table below are made in 3.1, 3.2 and 1.1 of this Reference document.

In thousand euros, except for information per share	2018	2017	2016
Revenue from collaboration and licensing agreements	79,892	32,631	56,159
Government financing for research expenditures	14,060	11,402	9,561
Revenue and other income	**93,952**	**44,033**	**65,721**
Research and development expenses	(69,555)	(67,000)	(48,628)
General and administrative expenses	(18,142)	(17,015)	(9,522)
Operating expenses	**(87,697)**	**(84,015)**	**(58,150)**
Net result from the distribution agreement of Lumoxiti	(1,109)	–	–
Operating income (loss)	**5,146**	**(39,983)**	**7,571**
Financial income / (expense), net	(2,427)	(8,034)	5,370
Net income (loss)	**2,718**	**(48,016)**	**12,941**
Income tax	333	(368)	(301)
Net income	**3,049**	**(48,385)**	**12,640**
Number of shares outstanding			
Average number of shares outstanding (in thousands)	58,777	54,352	53,869
Net income (loss) per share (in euros)			
Net income (loss) per share (basic)	0.05	(0.89)	0.23
Balance sheet			
Cash, cash equivalents and current financial assets[(1)]	167,531	116,110	197,688
Total assets	451,216	255,023	281,577
Total capital and reserves attributable to equity holders of the Company	167,240	85,956	86,169
Total financial liabilities	4,522	5,864	5,327
Net cash (Cash, cash equivalents and current financial assets – current financial liabilities) [(1)]	**166,184**	**114,767**	**196,425**
Statement of cash flow			
Changes in working capital	(47,096)	(16,980)	(50,788)
Net cash generated from / (used in) operating activities	(32,517)	(48,060)	(36,851)
Net cash generated from / (used in) investing activities	24,266	(29,459)	60,510
Net cash generated from financing activities	61 222	915	(602)
Effect of the exchange rate changes	(26)	68	(23)
Net increase / (decrease) in cash and cash equivalents	**52,947**	**(76,539)**	**23,018**
Cash and cash equivalents at the beginning of the year	99,367	175,906	152,870
Cash and cash equivalents at the end of the year*	**152,314**	**99,367**	**175,906**

(1) The cash, cash equivalent and current financial assets and the net cash (as defined as the cash, cash equivalent and current financial assets minus the current financial liabilities– see note4) are not IFRS defined accounting measurement.

* Does not include current financial assets amounting to 21,782 thousand euros, 16,743 thousand euros and 15,217 euros as of December 31, 2016, 2017 and 2018 respectively;

CHAPTER 1 - PRESENTATION OF THE COMPANY AND ITS ACTIVITIES

1.1. FOUNDING PRINCIPLES OF THE COMPANY

1.1.1. Introduction

Innate Pharma SA is a fully integrated oncology-focused biotechnology company dedicated to improving treatment and clinical outcomes for patients through therapeutic antibodies that harness the immune system to fight cancer.

In 2018, Innate acquired a commercial-stage product, Lumoxiti, approved by the Food and Drug Administration ("FDA") for the treatment of hairy cell leukemia (HCL) in September 2018 through a land mark deal with AstraZeneca. Acquiring Lumoxiti is the first step of Innate's strategy to develop its commercial footprint. The commercial platform could be leveraged in the future for Innate's proprietary fully owned pipeline in hematology including, IPH4102.

Additionally, Innate Pharma has a large and diversified pipeline of innovative immune-oncolgy antibodies, including several first-in-class clinical and preclinical candidates in cancers with a high unmet medical need. The company's expertise made major alliances with leaders in the biopharmaceutical industry possible. This results in a portfolio balanced between a proprietary product and proprietary candidates and partnered candidates..

Innate Pharma has pioneered the discovery and development in immuno-oncology with its innovative approach with monoclonal antibodies designed to stimulate anti-tumor activity of NK cells and other cells of the immune system.

Immuno-oncology is a therapeutic field that is changing cancer treatment by mobilizing the power of the body's immune system to recognize and kill cancer cells. This approach aims at restoring immune surveillance and can lead to durable responses in some patients who have failed all available conventional therapies. One of the greatest advances in immuno-oncology involves the use of checkpoint inhibitors. Checkpoint inhibitors are antibodies that block immune checkpoint receptors, which are molecules on the surface of immune cells, such as T cells and Natural Killer "NK" cells, in order to modulate their effector functions like recognition and killing of cancer cells.

Since 2010, checkpoint inhibitors targeting T cells, and notably the PD-1/PD-L1 pathway, have shown their ability to activate this type of lymphocytes, reduce tumors size and improve patients' survival. The first checkpoint inhibitor, ipilimumab (trade name: Yervoy®, anti-CTLA-4), was approved by the FDA in 2011. Since, 6 other checkpoint inhibitors targeting PD-1/PD-L1 have been approved. In the indications they are approved, these new drugs have revolutionized cancer treatment thanks to their efficacy and favorable safety profile.

Company's founders, and some of its employees, had significant roles in scientific breakthroughs in the biology of immune cells and notably NK cells, another type of immune cells. The Company has built on this expertise to pioneer the discovery and development of checkpoint inhibitors to activate the innate immune system.

At a later stage, Innate Pharma has expanded its scope in order to explore new approaches and therapeutic options. The Company now develops products around three key pillars: NK cell checkpoint inhibitors, tumor microenvironment and tumor antigens.

Today, the Company has a portfolio of one first-in-class commercial stage asset, three first-in-class, clinical-stage antibodies, including one checkpoint inhibitors, as well as a rich and diversified portfolio of preclinical candidates balanced its three pillars.

The Company's expertise has enabled it to enter into major alliances with leaders in the biopharmaceutical industry including AstraZeneca, Bristol-Myers Squibb, Novo Nordisk A/S and Sanofi. Innate Pharma and its partners evaluate the Company's drug candidates in various clinical trials in monotherapy and in combination.

Based in Marseille, France, Innate Pharma has 195 employees as at December 31, 2018. The Company is listed on Euronext Paris since 2006.

1.1.2. Key dates

1999

Founded by Hervé Brailly – Chairman of the Executive board until December 30, 2016, François Romagné – former Member of the Executive board and the Executive Committee, Chief Scientific Officer, Éric Vivier (Centre d'Immunologie Marseille Luminy – CIML, Marseille, France), Jean-Jacques Fournié (CNRS, Toulouse, France), Marc Bonneville (CNRS, Inserm, Nantes, France) and Alessandro Moretta (University of Genoa, Italy).

2003

First collaborative research and licensing agreement with the Danish pharmaceutical company Novo Nordisk A/S for the development of an anti-KIR antibody program potentiating the activation of NK cells (IPH21 program, today called lirilumab).

2004

Novo Nordisk acguired an equity stake during Innate Pharma's third private round in March 2004.

2006

Initial public offering on Euronext Paris.

2007

New drug candidate targeting NKG2A, IPH2201 (today called monalizumab) selected by Novo Nordisk A/S.

2008

Partnership with Novo Nordisk A/S focused on inflammation. New antibody drug candidate, IPH2301 (NN8855) selected by Novo Nordisk A/S. Asset transfer between Novo Nordisk A/S and Innate Pharma. Innate Pharma recovered the development and marketing rights for IPH2101 and Novo Nordisk A/S recovered the Company's remaining rights for NN8555.

2011

Start of Phase I clinical trials with IPH2102 (lirilumab) and license of the program to Bristol-Myers Squibb.

Start of Phase I clinical trials with monalizumab in inflammation by Novo Nordisk A/S.

2014

Acquisition of rights to monalizumab from Novo Nordisk A/S. First Phase II clinical trial for monalizumab launched.

2015

Co-development and commercialization agreement with AstraZeneca for monalizumab. Start of three clinical trials with monalizumab in cancer indications.

Start of Phase I clinical trial with IPH4102.

2016

First report of clinical data for all three clinical-stage drug candidates: lirilumab, monalizumab and IPH4102.

Broadening of the preclinical portfolio with two new candidates targeting the tumor mircroenvironment (IPH52 and IPH53).

Start of a new bispecific antibodies technology and non exclusive research collaboration and licensing agreement with Sanofi to apply this technology.

Appointment of Mondher Mahjoubi as Chairman of the Executive board, succeeding Hervé Brailly appointed Chairman of the Supervisory board.

2017

Acquisition of an anti-C5aR antibody (now called IPH5401) from Novo Nordisk A/S. This antibody targets myeloid derived suppressor cells (MDSC) in the tumor microenvironment and has been evaluated in a Phase I trial in inflammation.

Presentation of final results from the dose escalation part of the Phase I trial evaluating IPH4102 which confirm good safety profile and promising sign of clinical activity.

Results from two trials evaluating lirilumab did not provide clear evidence of benefit to patients or an obvious development path.

2018

Landmark deal with AstraZeneca accelerates Innate Pharma becoming an integrated oncology-focused biotech:

- Acquisition of US and EU rights to commercialize Lumoxiti
- Transfer of monalizumab full oncology rights to AstraZeneca
- Acquisition of an option to IPH5201 and four preclinical assets by AstraZeneca
- AstraZeneca acquired a 9.8% equity stake in Innate Pharma

Presentation of promising data for monalizumab in combination with cetuximab in head and neck cancer, and with durvalumab in colorectal cancer

Presentation of cohort expansion data in Sézary syndrome for IPH4102 and announcement of the start of the Phase II trial in 2019, the TELLOMAK study

Start of a clinical collaboration with AstraZeneca to evaluate IPH5401 in combination with durvalumab (anti-PD-L1) in patients with selected solid tumors and start of the Phase I trial

2019

Fast Track Designation granted by the US FDA to IPH4102 for the treatment of adult patients with relapsed or refractory Sézary syndrome who have received at least two prior systemic therapies

1.2. ACTIVITIES

1.2.1. The immune system

The immune system is composed of two parts, the innate immune system and adaptive immune system, that work together to defend the body against infection and provide surveillance against cancers.

The **innate immune system** is present in all live beings and is able to attack any external or "abnormal" agent. It represents the first barrier of the immune system because it reacts nearly immediately against a pathological threat and transmits information, which mobilizes the adaptative immune system. Innate immune cells include: NK cells, granulocytes and phagocytic cells (macrophages, neutrophils and dendritic cells).

The **adaptive immune system** is activated by, and adapts to, pathogens, and typically launches a targeted and durable response. The adaptive immune system requires "priming" before it achieves optimal efficacy and is often initially triggered by the innate immune system. Once activated it responds with large numbers of cells acting against diseased cells and can provide a long-lasting immune memory. An adaptive immune response is highly specific to a particular pathogen or antigens (foreign bodies) and is developed or learned from prior exposure. Key components of the adaptive immune system include the following: antibodies which bind to antigens and mark them for destruction by other immune cells, B-cells which produce these antibodies upon exposure to antigens, and T cells which attack and eliminate the diseased cells.

The cells of the innate and adaptive immune systems jointly participate and contribute to effective immune responses, including anti-cancer immune responses.

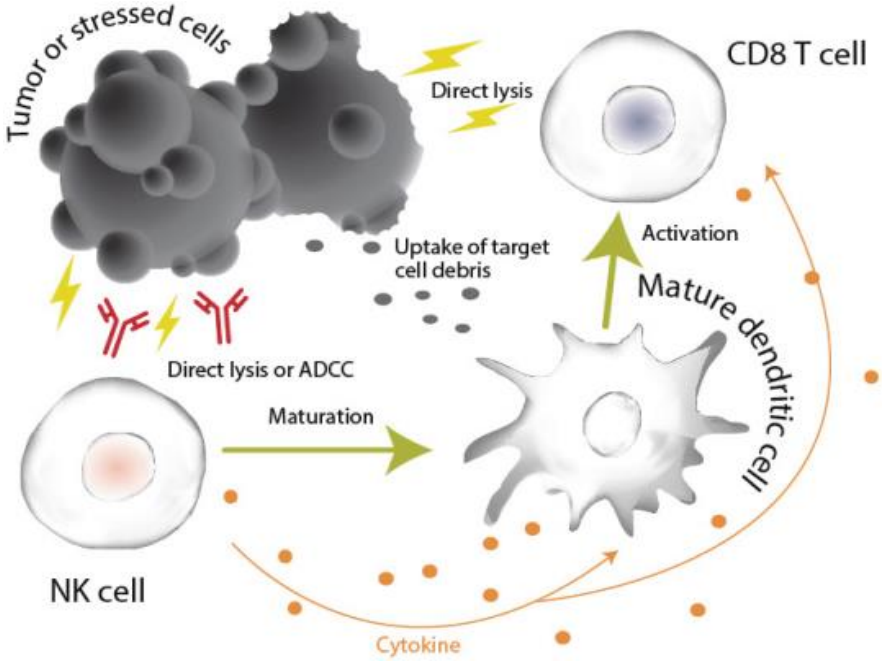
Innate Pharma is specialized in immuno-oncology, a new therapeutic field that is changing cancer treatment by mobilizing the power of the body's immune system to recognize and kill cancer cells. The Company has built on this expertise to pioneer the discovery and development of checkpoint inhibitors to activate the innate immune system. Innate Pharma has expanded its scope in order to explore new approaches and therapeutic options. The Company now develops products around three key pillars: Checkpoint inhibitors, tumor targeting and tumor microenvironment.

1.2.1.1. TARGETING NK CELLS

NK cells are lymphocytes belonging to the innate immune system and represent a significant fraction of the total number of cytotoxic cells in the body. NK cells are able to directly and selectively kill cells undergoing stress caused by a cancerous transformation or pathogen infection. They can also kill cells via antibody dependent cell cytotoxicity ("ADCC"), when antigens on the cell surface have been bound by cytotoxicity-inducing antibodies. NK cells are also potent producers of chemical signals called cytokines, which can recruit other immune cells such as dendritic cells to participate in an immune response initiated by NK cells. Dendritic cells can enable the antigen-specific immune

cells of the adaptive immune system, such as T cells and B cells, to participate in the immune response, which in turn may enable the creation of immune memory against the tumor.

The following illustration provides an overview of the anti-cancer functions of NK cells.



Activating the body's innate immune system may play a key role in the response against cancer, particularly in the case of cancers that are not detected by the immune system, including upon treatment with T cell checkpoint inhibitors. Targeting NK cells could offer a potential benefit beyond and in addition to T cell targeted immunotherapy as NK cells are active in numerous hematological and solid tumors and participate in the initiation of the T cell response.

NK cells express a variety of molecules, also called receptors, on their cellular surface including KIR, NKG2A and NKG2D. These receptors can bind and recognize matching ligands, which can be cell-surface molecules expressed on other cells, and then transmit either inhibitory or activating signals into the cell:

- the activating receptors on NK cells detect cellular stress that may be caused by viral infection or malignant transformation;
- in contrast, when an inhibitory receptor recognizes its ligand, its signal inhibits the signaling transmitted by the activating receptors and diminishes the activation of the cell. Tumor cells often express this type of ligands that results in a weakening or even a blockade of the immune response directed towards these kinds of tumors. Blocking NK cell inhibitory receptors can prevent their interaction with their matching ligands on a cancer cell and enable the NK cell to produce an immune response upon engagement of their activating receptors.

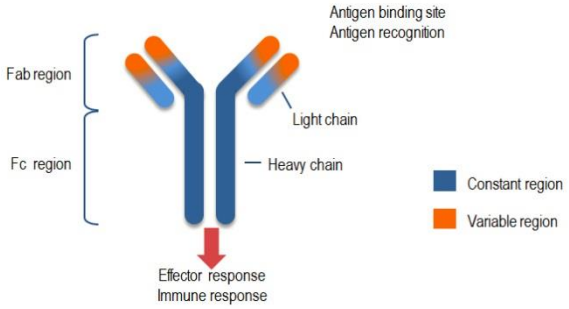
1.2.1.2. ANTIBODIES: A PRECISION TOOL FOR CANCER TREATMENT

An antibody is a Y-shaped molecule that has two identical variable regions at the tip of the arms (the Fab region) of the antibody, which bind to antigens, and a constant region (the Fc region) as its opposite end. An antibody's structure is amenable to engineering either the variable regions to improve its strength of target recognition or affinity, or the constant regions to modify its engagement and collaboration with other components of the immune system, or both. The antibody's ability to bind specifically to a target or antigen is also referred to as its specificity. Using this mechanism, antibodies can tag foreign substances to neutralize the targets directly or for attack by other immune system cells. While studying diseases such as cancer, researchers find antigens specific to cancer cells and create antibodies that bind those antigens leading to the activation of the body's immune system and the destruction of cancer cells. Alternatively, researchers can generate antibodies, such as checkpoint inhibitors, that

bind to receptors on immune cells in order to modulate the anti-tumor activities of the immune system.

Therapeutic antibodies are typically derived from natural antibodies and are obtained from immune cells of mammals that have been immunized with a desired antigen and are all clones of the unique parent cell. These antibodies are often referred to as monoclonal antibodies. Antibodies are typically produced in mice and although they are relatively easy to generate, they can have drawbacks as targeted therapeutics. The major drawback is that a mouse antibody is recognized by the human immune system as a foreign target and therefore, the immune system attacks the antibody, rendering it useless against its intended target.

Many advances have been made in the engineering of antibodies to improve their efficacy and safety profile. One such advance is the process of "humanization" whereby modifications are made to minimize the risk of a human immune response against an antibody of non-human cell origin. Antibodies such as such as monalizumab are "humanized" by replacing the mouse sequences with human sequences.

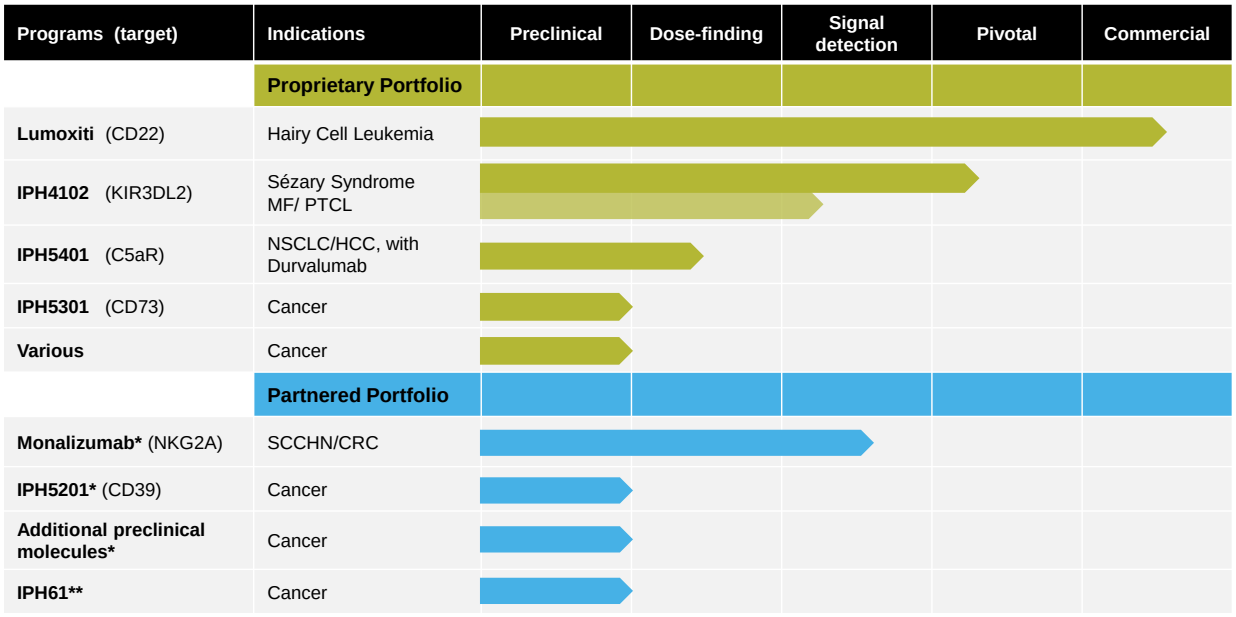


1.2.1.3. TARGETING THE TUMOR MICROENVIRONMENT

The tumor microenvironment is a recent field of research in immuno-oncology. Many advances have been made in understanding the different mechanisms by which the tumor microenvironment inhibits the immune system and enables the development of tumors. While early immuno-oncology strategies have focused on effector cells, a significant stream of research and development strategies now focus on the tumor environment. Indeed, it sometimes proves to be a brake on the activity of the effector cells of the immune system, by favoring an immunosuppressive environment, or even by promoting tumor growth by the secretion of growth factors of the tumor and the blood vessels which will allow it to grow and metastasize.

1.2.2. Programs being developed in the Company

At present, the Company's pipeline is made of proprietary and partenered programs.



(*) Collaboration with AZ ; (**) Collaboration with Sanofi

Program	Target – pillar	Main indication being evaluated	Progression
Proprietary pipeline			
Lumoxiti	CD-22 Tumor antigen	Hairy Cell Leukemia	Commercialized in the US since November 2018 EU regulatory submission planned in 2H 2019
IPH4102	KIR3DL2 Tumor antigen	T Cell Lymphomas	Phase I data released in 2019 Start of Phase II in 2019
IPH5401	C5aR Tumor microenvironment	Cancer	First clinical data in 2019
IPH5301	CD73 Tumor microenvironment	Cancer	IND submission in 2020
Various preclinical programs	Various	Cancer	Preclinical
Partnered pipeline			
Monalizumab En partenariat avec AstraZeneca	NKG2A Checkpoint inhibitor	Combinaisons avec durvalumab : Cancer colorectal Combinaisons avec cetuximab : Cancers de la tête et du cou	Phase II
IPH5201 En partenariat avec AstraZeneca	CD39 Tumor microenvironment	Cancer	Préclinique Demande d'autorisation d'essai clinique en 2019
4 programmes précliniques En partenariat avec AstraZeneca	Undisclosed	Cancer	Préclinique
IPH61	Bispecific antibody	Cancer	Preclinical

1.2.2.1. PROPRIETARY PIPELINE

1.2.2.1.1.Lumoxiti

1.2.2.1.1.1. Presentation

Lumoxiti (moxetumomab pasudotox-tdfk) is a CD22-directed immunotoxin and a first-in-class medicine approved in the US under FDA priority review for adult patients with relapsed or refractory Hairy Cell Leukemia (HCL) who have received at least two prior systemic therapies, including treatment with a purine nucleoside analog (PNA). It comprises the CD22, which is mainly expressed by B-cells, binding portion of an antibody fused to a truncated bacterial toxin; the toxin inhibits protein synthesis and ultimately triggers apoptotic cell death.

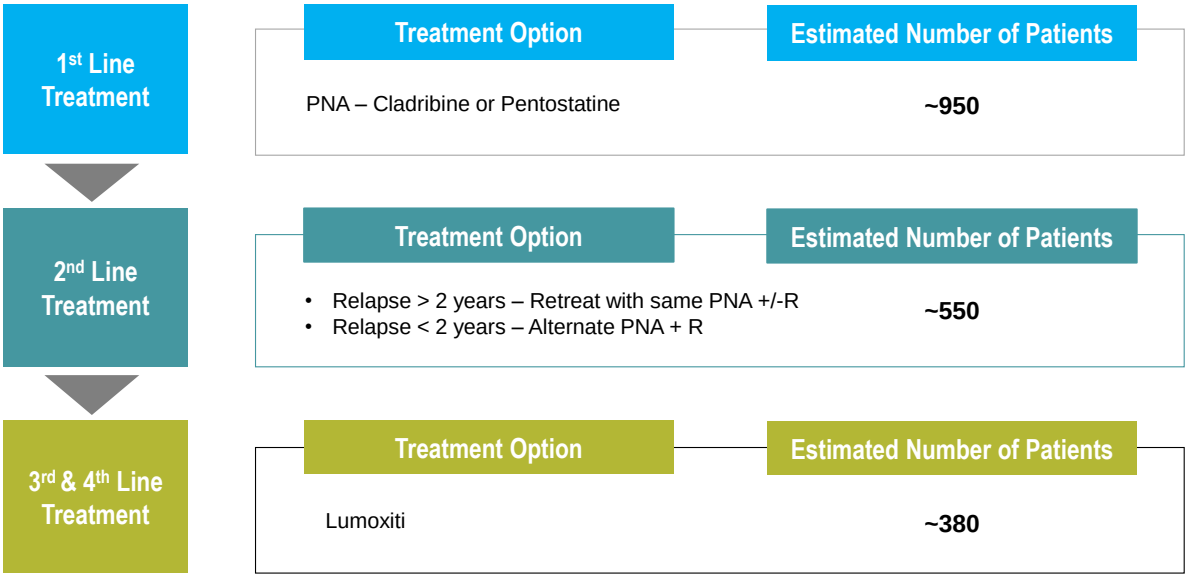
Approximately 1,000 people are diagnosed with HCL in the US each year and 1,600 in Europe. A subset of more than 1/3 of which are eligible for Lumoxiti. HCL accounts for approximately 2% of all adult leukemias. Treatment recommendations are established by international bodies, such as the National Comprehensive Cancer Network (NCCN) in the US and the European Society of Medical Oncology (ESMO) in Europe. In first line, 90% of patients respond to a PNA treatment but 30% to 40% of them eventually relapse between 5 and 10 years after their first follow-up treatment. In second line, a resumption of PNA treatment, either in monotherapy or in combination with rituximab, is the most classic approach. In third line and after, therapeutic experience is limited: PNAs' activity is inconsistent (between 20% and 75% in the literature)[1]. Other products are also in the clinic but in very limited trials (rituximab, ibrutinib or vemurafenib) and reports complete response rates between 13% and 42%[2]; these treatments are not approved for the treatment of HCL.

Lumoxiti was approved by the US FDA on 13 September 2018 for these patients precisely (third line and after HCL). Lumoxiti is the first alternative therapy approved in this indication by the US FDA for more than 20 years in this disease.

The HCL patients' journey can be summed up like this (US patient numbers):

[1] Zinzani P et al; Cancer 2010 and Rosenberg J et al; Blood 2014

[2] Tiacci et al, NEJM 2015; Jones et al, ASH 2016; Nieva et al, Blood 2003; Tiacci et al, Blood 2017



PNA – purine nucleosides analogs R – Rituximab

Acquiring Lumoxiti is the first step towards building a rare hemato-oncology franchise, complementing Innate's wholly-owned pipeline candidate IPH4102

1.2.2.1.1.2. Clinical development

Innate has licensed the US and EU commercial rights of Lumoxiti. Lumoxiti has been recently approved for HCL and marks the first step of Innate's strategy to become a fully integrated company. In November 2018, AstraZeneca has begun the commercialization of Lumoxiti in the US. Innate and AstraZeneca will have a collaborative and staged transition of operations for the product, with AstraZeneca responsible for all aspects of the commercialization of Lumoxiti in the US up to mid-2020 at the latest, with a potential sooner transition.

Innate, with support from AstraZeneca, will continue EU development and commercialization, pending regulatory submission and approval. As of November 2018, AstraZeneca launched the commercialization of Lumoxiti in the US.

Lumoxiti has been approved by the US FDA based on the results of the Phase II study led by the National Cancer Institute (NCI) and presented during an oral session at the ASCO annual meeting in 2018. The data presented showed that 80% of patients responded durably to Lumoxiti. 30% of patients had a durable complete response (primary endpoint).

Efficacy measure	Result %, (95% Confidence Interval)
Durable complete response rate[1]	30% (20, 41)
Hematological remission rate	80%
Complete response rate	41% (30, 53)
Partial response rate	34% (24, 45)

[1] Durable complete response is defined as patients who achieved complete response with hematologic remission for a duration of more than 180 days

The company is considering label extension opportunities for Lumoxiti. A second-line development could be planned.

1.2.2.1.2.IPH4102 program: anti-KIR3DL2 antibody

1.2.2.1.2.1. Presentation

IPH4102 is a first-in-class, humanized cytotoxicity-inducing antibody designed for treatment of T Cell Lymphoma. This group of lymphomas has a poor prognosis with few therapeutic options at advanced stages. KIR3DL2 is an inhibitory receptor of the KIR family, expressed by approximately 50% across Peripheral T Cell Lymphoma (PTCL) patients, by 65% of patients across all Cutaneous T Cell Lymphoma (CTCL) subtypes and by up to 85% of certain aggressive CTCL subtypes, in particular Sezary Syndrome (SS). It has a restricted expression on normal tissues. CTCL is a heterogeneous group of non-Hodgkin's lymphomas which arise primarily in the skin and are characterized by the presence of malignant clonal mature T-cells. CTCL is an orphan disease accounting for approximately 4% of all non-Hodgkin's lymphomas (approximately 6,000 new CTCL cases in Europe and the United States per year, including 3,200 at advanced stages of the disease) and has a median age at diagnosis of 55-65 years. SS accounts for 5% CTCL. However, given its relatively slow evolution, the US and EU prevalence is evaluated at 1,000 patients.

Mycosis fungoides (MF), and SS, its leukemic variant, are the most common CTCL subtypes. The overall 5-year survival rate, which depends in part on disease subtype, is approximately 10% for SS and less than 15% for transformed mycosis fungoides. and patients with advanced CTCL have a poor prognosis with few therapeutic options and no standard of care. In MF and SS, when cutaneous topical treatments have failed, bexarotene is the most prescribed drug in systemic first line. Interferon and old single-agent chemotherapies were used for a long time as systemic second line.

In second line, mogamulizumab (Poteligeo®) has been approved in 2018 for MF and SS patients without LCT, with an ORR of 28% and a median PFS of 7.7 months. Brentuximab-vedotin (Adcetris®) is also approved in second line for patients with an ALCL or a CD30 positive MF, with an ORR4 (rate of responses lasting at least 4 months) of 56% and a median PFS of 16.7 months.

Beyond second-line, vorinostat is the only approved agent in the US to treat patients who received at least two prior systemic treatments. In Europe, no treatment is approved for these patients. Recent data suggest that patients have an ORR of 5% and a PFS of 3 months with vorinostat. This highlights the high unmet medical need for these patients who lack efficient treatment strategies.

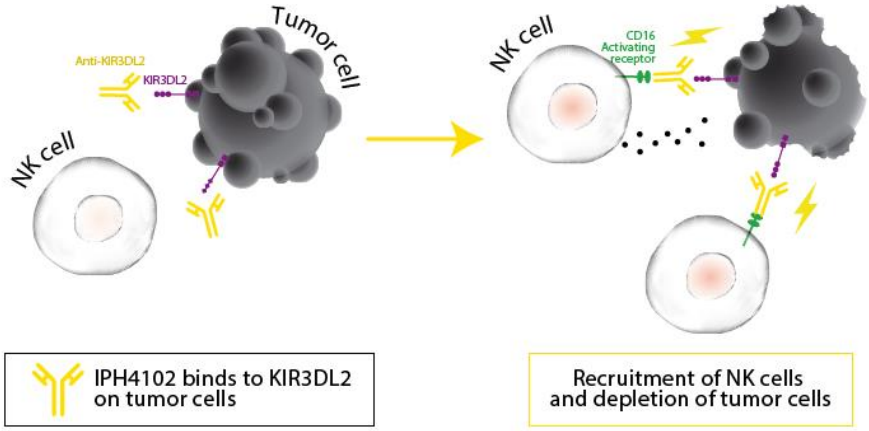
PTCL represents a group of non-Hodgkin lymphomas of mature T-cell origin with generally aggressive clinical behavior. The three predominant aggressive PTCL subtypes in the Western countries are: PTCL not otherwise specified (NOS); angioimmunoblastic T cell lymphoma (AITL); and anaplastic T cell lymphoma (ALCL). In aggregate, PTCL accounts for approximately 10% of all non-Hodgkin's lymphomas (around 15,000 new patients diagnosed per year in the US and EU combined) and has a median age at diagnosis around 65 years.

Multi-agent chemotherapy (especially the CHOP regimen –cyclophosphamide, doxorubicin, vincristine and prednisone) is the recommended first line treatment for the majority of patients with PTCL (NCCN guidelines). Brentuximab vedotin has been recently approved by the US FDA in combination with first line chemotherapy for patient with CD30 positive PTCL. Stem cell transplantation (SCT) is a potentially curative option but is rather restricted to a minority of patients who are young, fit and achieve complete response to systemic therapy.

Hence a high proportion of patients need second line therapy. The GemOx (oxaliplatin + gemcitabine) combination chemotherapy is used by a lot of centers (with a PFS of some months). Belinostat, pralatrexate and romidepsin have been approved by the FDA in this setting, but efficacy is generally limited. None of these treatments have been approved by EMA. Brentuximab vedotin is also approved in the 2nd line setting, but if used in the first line, it may no longer be an option in 2nd line patients. Overall, second-line PTCL patients are a population in high unmet medical need.

In January 2019, Innate Pharma received Fast Track designation for IPH4102 from the US Food and Drug Administration (FDA) for the treatment of adult patients with relapsed or refractory SS who have received at least two prior systemic therapies. IPH4102 was granted orphan drug status in the European Union and in the United States for the treatment of CTCL previously.

IPH4102 mechanism of action



1.2.2.1.2.2. Clinical development

Innate Pharma expects to initiate a global Phase II study ("TELLOMAK") in different subtypes of T-cell lymphomas in the first half of 2019. TELLOMAK is an open-label, multi-cohort Phase II study expanding the evaluation of the efficacy and safety of IPH4102 in larger patient populations expressing KIR3DL2, including PTCL. TELLOMAK is planned to recruit up to 250 patients, with IPH4102 evaluated as a single agent in patients with SS (60 patients planned) and MF (90 patients planned) and in combination with standard chemotherapy (gemcitabine and oxaliplatin) in patients with PTCL (approximately 100 patients). In patients with MF and PTCL, the study is designed to evaluate the benefit of IPH4102 according to KIR3DL2 expression. Under certain conditions, the SS arm of the study could enable the registration of IPH4102 in this indication.

2018 achievements:

As of October 15, 2018, data from the subgroup of 35 SS patients from the Phase I dose-escalating and expansion study of IPH4102 in advanced CTCL (n=44) revealed strong clinical activity, demonstrated by an overall response rate (ORR) of 42.9%, median duration of response (DoR) of 13.8 months and median progression-free survival (PFS) of 11.7 months. The ORR appeared to be higher (n=28, 53.6%) in patients with no histologic evidence of large cell transformation (LCT)3. Importantly, clinical activity was associated with a substantial improvement in quality of life as assessed by the SkinDex29 and Pruritus Visual Analog Scale (VAS) scores. IPH4102 displayed a favorable safety profile, consistent with previous observations. Data from the subgroup of SS patients (n=35) have been the subject of an oral presentation at ASH 2018.

[3] LCT is present in approximatively 10% of Sézary syndrome patients (Talpur, CLML 2016) and is associated with poorer prognosis and shorter survival.

1.2.2.1.3.IPH5401: anti-C5aR antibody

1.2.2.1.3.1. Presentation

In June 2017, Innate Pharma entered into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody, now called IPH5401 (see 1.6.3.1 for details on the agreement)

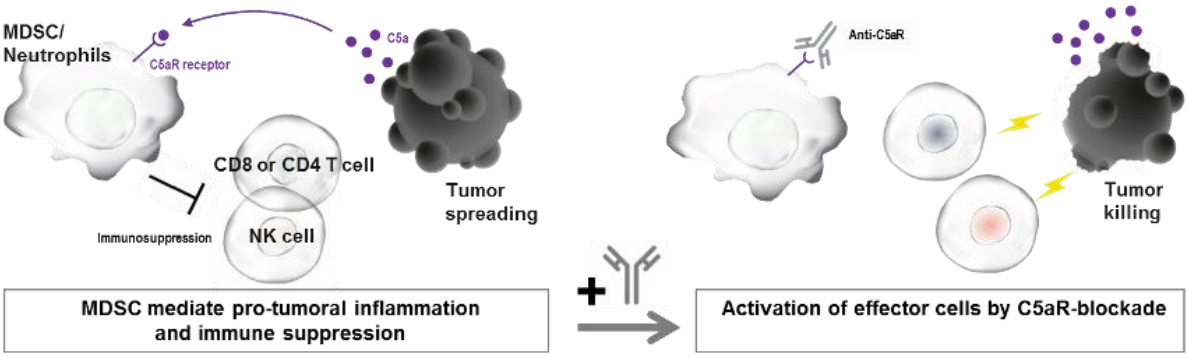
IPH5401 is a first-in-class therapeutic antibody that specifically binds and blocks C5a receptors (C5aR) expressed on subsets of myeloid-derived suppressor cells (MDSC) and neutrophils. Part of the innate immune system, these types of cells promote tumor growth by secreting inflammatory and angiogenic factors. They potently suppress T and NK cells and hamper the activities of PD-1 checkpoint blockers.

C5a, a factor in the complement cascade, is often overexpressed in tumors, where it attracts and activates MDSC and neutrophils in the tumor microenvironment.

IPH5401 is a fully human antibody that blocks the binding of C5a to C5aR, thereby reducing the accumulation and activation of MDSC and neutrophils in tumors. Treatment with IPH5401 may unleash anti-tumor activities of T cells and NK cells. Preclinical experiments support development of IPH5401 as single agent and in combination with PD-1 checkpoint blockers or other cancer immunotherapies to unlock the immune response:

- reverse IO resistance or even cancel IO resistance in IO-sensitive tumors (like NSCLC or HCC) and especially in secondary-resistant NSCLC;
- enhance IO response in tumors like bladder in which IO demonstrated clinical activity;
- unlock immune response into IO refractory tumors like triple negative breast cancer or prostate.

IPH5401 mechanism of action



1.2.2.1.3.2. Clinical development

In January 2018, Innate Pharma entered into a clinical trial collaboration with MedImmune, the global biologics research and development arm of AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational first-in-class anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with selected solid tumors (NSCLC and HCC).

In September 2018, the STELLAR-001 study was initiated and the first patient was enrolled. The multicenter, open label, dose-escalation and dose-expansion study will evaluate the safety, tolerability, and anti-tumor activity of IPH5401 in combination with durvalumab in solid tumors, NSCLC with secondary resistance to prior immuno-oncology (IO) treatment and IO-naïve hepatocarcinoma (HCC).

1.2.2.1.4.IPH5301 program: anti-CD73 antibody

This program aims at developing an anti-CD73 antibody for immuno-oncology.

CD73 plays a major role in promoting immunosuppression through the pathway degrading

adenosine triphosphate (ATP) into adenosine (see paragraph 1.2.2.2.2. for the rationale for Adenosine pathway targeting). CD73-blockade may promote anti-tumor immunity by reducing adenosine accumulation.

Preclinical data supporting the development of this program were presented at the AACR meeting in April 2016, 2018 and 2019. These preclinical data support IPH5301's best-in-class potential.

This program is currently in preclinical development at Innate Pharma.

2018 achievements:

During the first half of 2018, Innate has selected the lead candidate of the IPH53 program, becoming IPH5301.

Findings presented at the 2018 AACR conference demonstrated that IPH5301 is more potent *in vitro* than benchmark anti-CD73 antibodies currently under clinical development, on both membrane-bound and soluble CD73, in enzymatic activity as well as T cell proliferation assays.

At AACR 2019, the Company presented new data from a crystal structure of the CD73/IPH5301 complex that support a model for the differentiated mode of action of IPH5301 and enhanced efficacy compared to competitors. Analysis by electron microscopy revealed that the IPH5301 monoclonal antibody interacts mainly with CD73 dimer in an intra-dimer mode, constraining the CD73 enzyme in an inactive state in which AMP could not be hydrolyzed, in contrast to other antibodies in development that interact in an inter-dimer mode.

1.2.2.2. PARTNERED PIPELINE

1.2.2.2.1.Monalizumab: anti-NKG2A antibody developed in partnership with AstraZeneca

1.2.2.2.1.1. Presentation

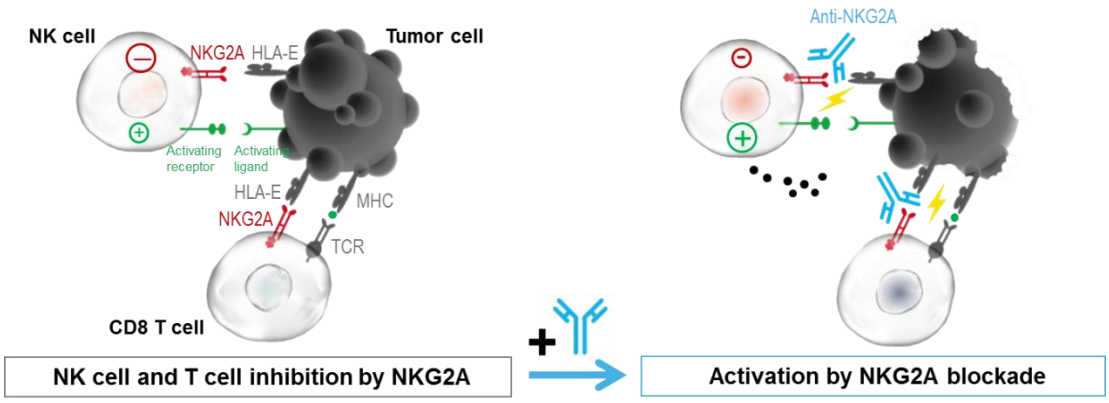
Monalizumab is a first-in-class immune checkpoint inhibitor targeting NKG2A receptors expressed on tumor infiltrating cytotoxic CD8 T lymphocytes and NK cells.

NKG2A is an inhibitory receptor binding HLA-E. By expressing HLA-E, cancer cells can protect themselves from killing by NKG2A+ immune cells. In some cancers, HLA-E expression is associated with poor prognosis.

Monalizumab, a humanized IgG4, blocks the binding of NKG2A to HLA-E allowing activation of NK and cytotoxic T cell responses. By blocking the inhibitory NKG2A receptors, monalizumab may re-establish a broad anti-tumor response mediated by NK and T cells. Monalizumab may also enhance the cytotoxic potential of other therapeutic antibodies. In a single and multiple-dose Phase I dose-escalation safety trial, in monotherapy, monalizumab appeared to have a safe and well-tolerated profile at all doses tested.

Development and commercialization rights to monalizumab are licensed to AstraZeneca. In October 2018, AstraZeneca exercised its option to obtain full rights to monalizumab in oncology, triggering a $100 million payment in January 2019. Innate is eligible to a further $100 million following dosing of the first patient in the first Phase 3 clinical trial (pivotal study for purposes of regulatory approval).

Monalizumab mechanism of action



Monalizumab is developed in partnership with AstraZeneca through a global co-development and commercialization agreement (see section 1.5).

1.2.2.2.1.2. Clinical development

Monalizumab is currently tested in several clinical trials in combination in multiple cancer indications, including in combination with cetuximab, in a Phase II trial, in patients with refractory or metastatic Squamous Cell Carcinoma of the Head & Neck (SCCHN) and in combination with durvalumab,(anti-PD-L1 antibody) in colorectal cancer..

- **Rationale for Clinical Trials of Monalizumab**

The rationale for the clinical trials of monalizumab is based on the indications where HLA-E is expressed on tumors in the vast majority of patients with such indication.

The combinations currently evaluated are based on the following mechanisms of action:

- ADCC enhancement through the combination of monalizumab and cetuximab, an anti-EGFR antibody. Cetuximab acts through blocking oncogenic signaling and by ADCC. This ADCC is inhibited by HLA-E expression and this inhibition may be circumvented with anti-NKG2A treatment. At the AACR Annual Meeting 2018, Innate presented preclinical data demonstrating that SCCHN tumor cells are infiltrated by NK and CD8+ T cells expressing CD94/NKG2A and that these cancer cells express HLA-E. Blockade of NKG2A potentiated cetuximab induced antibody-dependent cell-mediated cytotoxicity (ADCC) towards SCCHN cell lines.
- Activating NK cells and T cells through the combination of monalizumab and durvalumab. Checkpoints targeted by durvalumab and monalizumab (PD-L1 and NKG2A) are both up-regulated in many cancers, suggesting they both contribute to tumor immune escape. Simultaneous blockade of both inhibitory pathways may facilitate a more effective anti-tumor immune response. In a paper published in the prestigious Cell journal, the authors demonstrate that combination of their NKG2A blocking antibody with a PD-L1 blocking antibody provides an additive effect towards the activation of an anti-tumor immunity both in vitro and in tumor-bearing mice;

- **Monalizumab in combination with durvalumab in advanced solid tumors**

Monalizumab is in a Phase I, multicenter, single-arm dose-escalation and cohort expansion study of durvalumab in combination with monalizumab in adult subjects with advanced solid tumor malignancies. The primary endpoint of the study is safety, with antitumor efficacy being a key secondary endpoint. Other secondary endpoints include response duration, progression free survival, overall survival,

pharmacokinetics, pharmacodynamics, and immunogenicity of durvalumab and monalizumab given in combination. The clinical trial started in February 2016, in the US and can include up to 501 patients. First clinical data have been presented, in colorectal cancer (CRC), at the ASCO 2018 meeting.

CRC is the 3rd most commonly diagnosed cancer, with 1.65 million new cases and 835,000 deaths per year worldwide (WHO, GLOBOCAN database, 2015). 21% of CRC cases are metastatic at diagnosis. Moreover, some patients who are diagnosed with local disease at some point progress. Hence, the total number of patients with metastatic disease may account for roughly 50% of all colorectal cancer patients.

Despite advances in chemotherapy regimens in combination with biologics in the treatment of CRC, a significant number of patients progress within 6 months after receiving either first or second-line chemotherapy with or without biological agents such as bevacizumab and cetuximab. Furthermore, among patients who are beyond second line treatment, efficacy data are even worse with low response rates and short progression free survival and overall survival rates. Response rates reported for TAS102 (Lonsurf®) and regorafenib (Stivarga®), 2 approved agents for patients with heavily pretreated CRC, were 1.6 and 1%, respectively. In the TAS102 pivotal trial, median overall survival was 7.1 months (vs 5.3 months for the placebo group); in the regorafenib pivotal trial, median overall survival was 6.4 months (vs 5.0 months for the placebo group).

Checkpoint inhibitors have demonstrated an interesting activity profile in refractory MSI-H CRC. Nivolumab and pembrolizumab are approved in this indication. But initial studies with anti-PD-1 or anti-PD-L1 single-agent therapy have yielded limited to no activity in unselected patients with refractory MSS-CRC.

Collectively, these data indicate that patients with CRC after 2 lines of chemotherapy with or without biological agents constitute a group with a high unmet medical need.

2018 achievements:

In June 2018, at the ASCO annual meeting, the Company presented clinical data show preliminary anti-tumor activity in patients with recurrent/metastatic microsatellite-stable colorectal cancer (MSS-CRC), a population historically unresponsive to PD-1/L1 blockade. Updated preliminary clinical data on the expansion cohort of microsatellite-stable colorectal cancer patients (MSS-CRC) presented at ASCO are based on the cut-off date of April 23, 2018. Forty patients are evaluable for safety and 39, for efficacy. Thirty-five (88%) patients had 2 or more prior lines of therapy for recurrent/metastatic disease. Efficacy data show an overall response rate (ORR) of 8%, with confirmed partial response in 3 patients (8%) and stable disease (SD) in 11 patients (28%), including 3 SD patients with tumor reduction who continued therapy for >200 days. One of the 3 responses was an unconfirmed complete response Data demonstrated a disease control rate (DCR) of 31% at 16 weeks. The median duration of response was 16.1 weeks at the cut-off date.

	MSS-CRC (n=39)
Best Overall Response, n (%)	
CR	0
PR	3 (8%)
SD	11 (28%)
PD	22 (56%)
NE/NA	3 (8%)
Overall response rate, n (%) [95% CI]	3 (8%) [2-22%]
Median duration of response, weeks (95% CI)	16.1 (15.9-NE)

In 2018, AstraZeneca has amended the clinical trial protocol of the ongoing Phase I trial to extend the investigation the safety and efficacy of monalizumab in combination with durvalumab to new cohorts of patients with advanced solid tumors. The trial protocol has been expanded to add new expansion cohorts aiming at testing monalizumab in combination with durvalumab and standard of care in patients with 1st- and 2nd-line, metastatic colorectal cancer. The protocol now can include up to 501 patients.

- **Monalizumab in combination with cetuximab in patients with relapsed or metastatic squamous cell cancer of the head and neck ("SCCHN")**

Monalizumab is in a Phase II trial in combination with cetuximab in patients with relapsed or metastatic SCCHN. The primary endpoint for efficacy is overall response rate. The trial is being performed in Europe and in the United States with a maximum of 100 patients. The dose escalation part and the first cohort expansion of the study are completed. A second cohort expansion in patients previously treated with PD-1/L1 therapies ("IO pretreated") has started in September 2018.

Cancers that are known as head and neck cancers usually begin in the squamous cells that line the moist mucosal surfaces inside the head and neck, such as inside the mouth, the nose and the throat. Head and neck cancer is the seventh most common cancer globally, with an estimated 400,000 to 600,000 new cases per year and 223,000 to 300,000 deaths per year. The five-year survival rate is reported as less than 4% for metastatic Stage IV disease.

SCCHN accounts for approximately 90% of all head and neck cancers with global incidence expected to increase by 17% between 2012 and 2022. Risk factors for SCCHN include tobacco and alcohol consumption. The Human Papilloma Virus (HPV) infection is also a risk factor leading to rapid increase in oropharyngeal SCCHN in Europe and North America. Quality of life is often impacted for SCCHN patients, as physiological function (breathing, swallowing, eating, drinking), personal characteristics (appearance, speaking, voice), sensory function (taste, smell, hearing), and psychological/social function can be affected.

For recurrent unresectable and/or metastatic disease not amenable to either surgery or radiotherapy, NCCN guidelines recommend a combination of carboplatin or cisplatin plus 5-FU and cetuximab as category 1 recommendation. The efficacy of these treatments however is limited with a median progression free survival of 4-6 months and an overall survival of about 10 months. Second line chemotherapy only results in a median survival of 3 months.

In patients who had failed to respond to platinum-based therapy, single agent cetuximab in second line gives a 13% response rate and a 46% disease control rate (response plus stable disease) with a time to progress of 70 days.

There are limited options for patients with recurrent and/or metastatic head and neck cancer who have failed two prior treatments.

As of April 2016, two PD-1 inhibitors are registered in second line treatment. However, only 15-20% of patients are responding, with short overall survival 7 to 8 months. In 2019, pembrolizumab's first first-line data have been presented. Single-agent pembrolizumab seems superior to the combination of platinum-based chemotherapy and cetuximab. Moreover, pembrolizumab associated with the combination of platinum-based chemotherapy and cetuximab is superior to the combination of platinum-based chemotherapy and cetuximab. One can expect an increasing use of PD-1/PD-L1 checkpoint inhibitors in first-line SCCHN. Developments are also active in patients with an advanced disease.

Consequently, most SCCHN patients will be exposed to platinum-based chemotherapy and PD-1/PD-L1 checkpoint inhibitors. After these treatments, patients who relapse are a high unmet medical need.

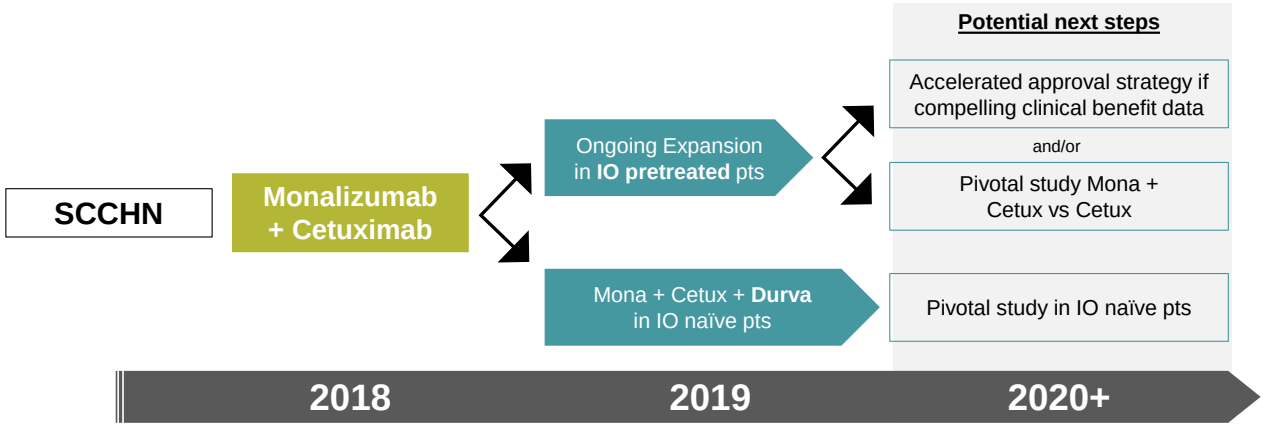
2018 achievements:

First preliminary clinical efficacy data of the combination tested in previously treated patients with recurrent and/or metastatic SCCHN were presented at AACR annual meeting 2018, and updated on the full sample of patients at the ESMO annual meeting in September 2018 and at the Society for Immunotheray of Cancer (SITC) in November 2018. As of August 31, 2018, a total of 40 patients with R/M SCCHN were evaluable for safety and efficacy. The highest dose tested for monalizumab in the dose-escalation part of the study (10 mg/kg every 2 weeks) was given in combination with the approved dose and schedule of cetuximab in the Phase II cohort expansion. All patients enrolled had been previously treated with platinum-containing regimens. The overall response rate was 27.5% (by RECIST) including 1 confirmed complete response (2.5%) and 10 partial responses (25%). Disease control rate at 24 weeks (DCR) was 35%. Median progression-free survival (PFS) and overall survival (OS) reached 5.0 and 10.3 months, respectively. In addition, there were 3 (18%) responders among the 17 patients who had been previously treated with PD-1/L1 antibodies.

Cut-off August 31, 2018	All patients (n=40)	IO-naïve (n=23)	IO-pretreated (n=17)
ORR [95% CI]	27.5% [16-43]	35% [19-55]	18% [6-41]
Median PFS [95% CI]	5.0 m [3.7-6.9]	4.0 m[3.7-10.6]	5.0 m [3.5-NR]
Median OS [95% CI]	10.3 m [7.3-NR]	10.3 m [7.2-NR]	12.8 m [6.0-NR]
DCR 24 weeks	35% [22-51]	39% [22-59]	29% [13-53]
Median time to response [range]	1.6 m [1.5-3.9]	1.7 m [1.5-3.9]	1.6 m [1.6-3.1]
Median duration of response [95% CI]	5.6 m [3.8-NR]	5.3 m [3.8-NR]	5.6 m [3.7-NR]

These data support the advancement of the clinical program, starting with the enrollment of an additional cohort of patients who received both prior platinum-based chemotherapy and PD-1/L1 inhibitors ("IO-pretreated"). Enrollment of this cohort is ongoing.

Potential next development steps could be the following:



This strategy will be dependent on data and the partner's strategy, who owns monalizumab's rights in oncology.

The Company plans to present new data for the combination of monalizumab with cetuximab during the second half of 2019.

- **Other trials with monalizumab**

Monalizumab is evaluated in several exploratory trials:

- A Phase I trial evaluating monalizumab as a single agent in patients with hematological malignancies in a post-transplantation setting sponsored by Institut Paoli-Calmettes in France;
- A trial evaluating monalizumab in monotherapy and in combination in SCCHN patients sponsored by the EORTC is ongoing;
- The PIONeeR study, sponsored by Marseille Public University Hospital System, assessing how to overcome resistance to Imumune Checkpoint Inhibitors in advanced NSCLC progressors patients after an anti-PD-(L)1 treatment;
- Platform studies, sponsored by AstraZeneca, assessing the efficacy and safety of durvalumab alone vs durvalumab in combination with various novel agents (including monalizumab) in non-small cell lung cancer (NSCLC).

1.2.2.2.2.IPH5201 program: anti-CD39 antibody, partnered with AstraZeneca

This program aims at developing an anti-CD39 antibody for immuno-oncology.

CD39 is expressed on both regulatory T cells and tumor cells. It plays a major role in promoting immunosuppression through the pathway degrading adenosine triphosphate (ATP) into adenosine. Within the tumor microenvironment, ATP promotes immune cell-mediated killing of tumors. In contrast, adenosine accumulation causes immune suppression and dysregulation of immune cell infiltrates resulting in tumor spreading. Blockade of CD39 may therefore stimulate anti-tumor immunity across a wide range of tumors.

On January 10, 2016, Innate Pharma and Orega Biotech announced that they entered into an exclusive licensing agreement by which Orega Biotech granted Innate Pharma full worldwide rights to its program of first-in-class anti-CD39 checkpoint inhibitors. New preclinical data supporting the development of this program were presented at the AACR meeting in April 2016.

2018 achievements:

In the course of preclinical development, an anti-CD39 antibody has been developed, selected and humanized by Innate Pharma.

In the first half of 2018, this antibody has been selected as lead candidate of the IPH52 program, becoming IPH5201.

Preclinical data further supporting the rationale of developing IPH5201 were presented at the AACR annual meeting in April 2018.

In October 2018, AstraZeneca entered into a development collaboration and option for further co-development and co-commercialization with Innate for IPH5201 (see 1.6.5 for details about this agreement). Innate will have the

potential for co-promotion and profit sharing in the EU. Innate Pharma expects an IND to be filed in 2019.

1.2.2.2.3.IPH61, partnered with Sanofi

IPH61 is a bispecific NK cell engager developped as part of a research collaboration and licensing agreement between Innate Pharma and Sanofi for the generation and evaluation of up to two bispecific NK cell engagers, using Sanofi's technology and tumor targets and Innate Pharma's NK cell engager technology.

Indeed, Innate Pharma has developed an innovative bispecific antibody technology and used it to create novel molecular formats for engaging NK cells to kill tumor cells through NKp46. NKp46 is an activating receptor expressed on all natural killer cells. It is the most specific marker of human NK cells and plays a major role in their tumor cell recognition. NKp46-bispecific NK cell engagers bind with one arm to an antigen at the surface of tumor cells, and with another arm to the NKp46 receptor on NK cells. This leads to activation and specific tumor-killing by NK cells.

Innate Pharma's novel type of bispecific antibodies specifically triggers NK cells instead of T cells, which may reduce the risk of the side-effects associated with T cell engagers.

Under the terms of the licence agreement, Sanofi is responsible for the development, manufacturing and commercialization of products resulting from the research collaboration. Innate Pharma is eligible for up to €400m in development and commercial milestone payments as well as royalties on net sales.

1.2.2.3. PRECLINICAL PROGRAMS

The Company has a rich pipeline of preclinical candidates, balanced around three strategic pillars: checkpoint inhibitors, tumor microenvironment and tumor antigen targeting. Different types of antibody formats are also developed.

Two of these programs are disclosed:

- IPH43 (anti-MICA/B): two antibody formats were evaluated. The first format is a "naked" cytotoxic antibody (ADCC), IPH4301. In December 2018, Innate Pharma decided not to advance this program. The second one is an antibody drug conjugate (ADC) generated thanks to Innate's proprietary technology of site-specific conjugation, for which a poster has been presented at SITC 2018.
- The anti-SIGLEC-9 antibody program, for which Innate presented first preclinical data at AACR 2018.

Four of these programs are currently under an option agreement with AstraZeneca, signed in October 2018 (cf. paragraph 1.6.6). These options can be exercised before reaching clinical development. The projects under option remain undisclosed. If one of the selected programs under the option agreement is early discontinued, AstraZeneca has the right to replace such discontinued program by another one among Innate's preclinical pipeline, under certain conditions.

1.2.3. Presentation of the Company's business and its industrial concept

The Company's activity consists of discovering, developing and commercializing drug candidates. The research and development process, from the discovery of a drug candidate to the registration of a new drug, comprises elements common to all companies in the biopharmaceutical field. Nevertheless, due to its specialization in the field of monoclonal antibodies, the Company is capable of designing candidate drugs specific to a target of interest.

The aim of the initial research phase is to identify a target (i.e. a receptor or a molecule involved in a pathological process) and to validate its therapeutic relevance. The following step consists of "building" an antibody against this target with the desired specificity and affinity regarding recognition and the properties desired according to the function (blocking or destroying the target, internalization inside the cell, etc.).

Then, the candidate drug must be produced – firstly in our laboratory to be tested in *in vitro* and *in vivo* models and then at our sub-contractors for trials on patients. Trials with patients represent the "clinical" part of the development. The development phase targets an issue common to all drug candidates: ensure patients safety, determine the drug candidate's clinical efficacy and to ensure its pharmaceutical quality. These three aspects – efficacy, safety and quality – are evaluated by regulatory

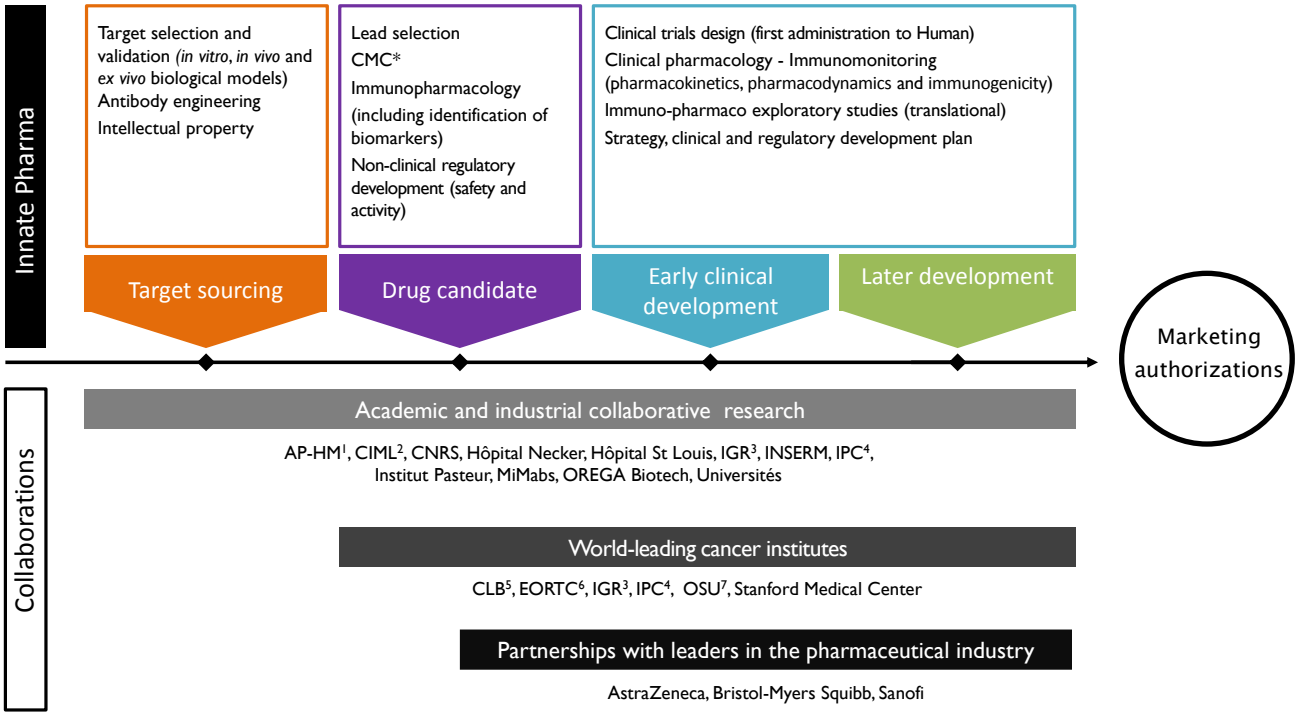
agencies when an authorization to carry out clinical trials on humans is requested and then again at the marketing authorization stage. The entire development process follows practices codified by various texts and recommendations, see section 1.4 Regulatory Environment and "From the discovery of a drug candidate to its registration" on Innate Pharma's website).

A significant part of the Company's activity consists in signing license agreements: in-licensing projects of interest or out-licensing proprietary programs to gain access to financial, human and organizational means to maximize their value.

Since 2018, the Company owns US and EU commercial rights of Lumoxiti, a product already approved in the US, and for which the Company is setting up the structure to ensure its related medical commercial activities. For this product, a marketing authorization application will be filed during the second half of 2019.

For the entire duration of a product-candidate development, one of the major objectives of the Company will be to ensure and maintain the Company's operating freedom and intellectual property protection, which are key elements for the future development of projects and for the Company's capacity to exploit its findings.

Value creation at Innate Pharma



*Chemistry, Manufacturing & Control

1/ Assistance Publique des Hôpitaux de Marseille, 2/ Centre d'Immunologie Marseille-Luminy, 3/ Institut Gustave Roussy, 4/ Institut Paoli-Calmettes, 5/ CLB, 6/ Organisation européenne pour la recherche et le traitement du cancer, 7/ Ohio State University

1.3. MARKET AND STRATEGY

1.3.1. Strategy

The Company's medium-term priorities are as follows:

- Following the AstraZeneca transaction and the acquisition of US and EU rights to commercialize Lumoxiti: incorporate downstream steps including regulatory, medical affairs and commercial infrastructure;
- A successful commercialization of Lumoxiti in the US;
- Continuing to develop itself IPH4102 to, first, commercialize it in Sézary syndrome and potentially in other T-cell lymphoma indications while using the structure set up for the commercialization of Lumoxiti as support;
- Continuing, in the AstraZeneca partnership, to pursue monalizumab's clinical development, IPH5201's preclinical and then clinical development as well as the preclinical development of the molecules for which AstraZeneca acquired an option;
- Maturing and expanding its portfolio of partnered and proprietary products while maintaining its scientific focus on three strategic pillars, including i) targeting immune checkpoints, ii) tumor microenvironment and iii) tumor targeting; focus clinical activities on broad therapeutic fields with major unmet medical needs (cancer) relying on its proprietary antibody technology platform;
- Searching for partnerships to access development capabilities in order to maximize the potential of its products and to fund the Company's proprietary assets.

1.3.2. Trend

In 2018, the Company acquired the commercial rights of a product approved in the US. Its partner AstraZeneca is responsible for the commercialization during a transition period that could last up to mid-2020 at the latest.

In the short term, the Company's revenue should come mainly from first sales of Lumoxiti and payments received under existing or newly signed collaboration and licensing agreements or capital increases. The Company also expects to continue to receive grants, mainly from France and Europe, as well as research tax credits to support its operations. The Company's expenses should comprise research and development expenses, overhead and milestone payments to third parties that it is required to make under the terms of collaborative research, option or licensing agreements.

In the medium to long term, the Company's revenue should come from sales from proprietary or partnered products along with royalties on sales generated by partnered products. The Company's expenses should comprise research and development expenses, overhead and milestone and royalty payments to third parties which it is required to make under the terms of collaborative research, option or licensing agreements.

The Company's short-term financing requirements will depend on:

- The market launch of Lumoxiti by AstraZeneca in the US, the uptake in the market and on building a proprietary sales infrastructure in the US
- The progress and success of its partnered programs which could trigger milestone payments from its partners;
- Progress made in the development of the Company's proprietary products, which could significantly affect the Company's research and development expenditures;
- Acquisition of intellectual property rights, assets or companies;
- Its ability to enter into collaboration and licensing agreements for its other products with other companies in its sector.

1.3.3. Sector and competition

The biotechnology and pharmaceutical industry sector, and notably the cancer field, is characterized by a very fast evolution of technologies, a product protection with intellectual property and fierce competition. Many companies, pharmaceutical and biotechnological laboratories, academic organizations and other research centers are actively involved in the discovery, research, development and marketing of immunotherapy products and other innovative techniques and products for cancer and inflammatory disease treatment.

Many companies developing anti-cancer therapies have greater financial, industrial, commercial, technological, organizational and human resources than Innate Pharma. The major pharmaceutical laboratories notably have

greater experience in clinical trials, regulatory procedures and commercialization.

Competition between the developers of anti-cancer therapies is also strong in terms of the acquisition of new products and technologies, thereby driving prices up. The Company is in competition with many companies for acquiring the rights to use certain products that are promising for the development of its immunotherapy products. This competition with other pharmaceutical laboratories and academic organizations also applies to the recruitment of qualified scientific, medical, technical and administrative personnel. However, the Company's specific orientation and expertise ensures scientific and academic recognition and enables personnel to work in a competitive context.

The current activity of Innate Pharma focuses on discovering and developing drug candidates in the field of cancer immunotherapy. Its clinical-stage antibodies are a cytotoxicity-inducing antibody, an antibody targeting cells from the tumor microenvironment and two checkpoint inhibitors.

Cancer has historically been treated with surgery, radiation therapy, chemotherapy, targeted therapies, and hormone therapy. More recently, advances in understanding of the immune system's role in cancer have led to immunotherapy becoming an important therapeutic modality. The first developed cancer immunotherapy didn't activate specifically the immune system and had limited efficacy and/or significant toxicity. In contrast, new immunotherapy treatments can specifically activate immune cells, leading to improved targeting and killing of cancer cells and a better safety and tolerability profile.

Within the immune-oncology field, treatments include several categories, including cytokines, antibodies (notably checkpoint inhibitors) and cellular therapies.

Checkpoint inhibitors have drawn the attention and many developments in the industry, since the publication in 2010 of clinical results for the first checkpoint inhibitor, ipilimumab (trade name: Yervoy®), from Bristol-Myers Squibb, then approved in 2011 in metastatic melanoma, a cancer for which no new treatment was approved during the past 20 years. In its pivotal study, ipilimumab showed a significant benefit in terms of long-term survival in approximately one quarter of patients. Since 2014, three checkpoint inhibitors targeting the PD-1 receptor and three other checkpoint inhibitors targeting its ligand PD-L1 have been approved in 12 indications (as of December 31 2018).

Trade name	Molecule	Company	Number of indictations
Opdivo®	Nivolumab	Bristol-Myers Squibb	8
Keytruda®	Pembrolizumab	Merck	9
Tecentriq®	Atezolizumab	Roche	2
Bavencio®	Avelumab	Merck KGaA/Pfizer	2
Imfinzi®	Durvalumab	AstraZeneca	2
Libtayo®	Cemiplimab	Sanofi/Regeneron	1

Checkpoint inhibitors represent a revolution in the treatment of cancer, with a treatment potential estimated by some analysts of over half of patients with cancer.

While T cell checkpoint inhibitors are becoming the standard of care for certain cancers, many patients fail to respond adequately and as a result, there is still a high unmet need for new treatments. The success of PD-1 antibodies has stimulated the development of novel checkpoint inhibitors that may demonstrate anti-tumor activity in PD-1 resistant patients, either as single agents or in combination with existing products. There is a need for new combinations of checkpoint inhibitors that can both improve long-term patient outcomes in a broad spectrum of solid and hematological cancer indications and offer a favorable safety profile. They are also developed in the tumor microenvironment, a recent field of research in immuno-oncology. Many advances have been made in understanding the different mechanisms that inhibit the immune system and allow the development of tumors. Indeed, it sometimes proves to be a brake on the activity of the effector cells of the immune system, by favoring an immunosuppressive environment, or even by promoting tumor growth by the secretion of growth factors of the tumor and the blood vessels which will allow it to grow and metastasize.

With a portfolio of clinical-stage drug candidates within these fields, including monalizumab in partnership with AstraZeneca, that has shown promising data in SCCHN and MSS-CRC, but also IPH5401, IPH5301 and IPH5201, Innate Pharma is among the most advanced companies in the R&D of the second wave of immunomodulating antibodies.

Due to the growing understanding of cancer's biological mechanisms and the emergence of new companies dedicated to its treatment with innovative therapies, the Company believes that the competition in this sector will become increasingly fierce (see section 1.8, "Risks related to the Company's competitive environment").

1.3.4. Market

1.3.4.1. CANCER

Cancer constitutes a group of related diseases characterized by the uncontrolled proliferation of abnormal cells. Cancer is caused or developed by internal factors (immune conditions, hormones, acquired mutations, etc.) and by external factors (tobacco, irradiation, chemicals, viruses, etc.). Cancer cells accumulate locally, forming tumors, and are able to spread throughout the entire organism (known as "metastases"). Proliferating tumors can destroy healthy tissues and organs, leading to death. Cancer treatment is characterized by a major medical need for new therapies, as in most cases conventional treatments do not ensure recovery and their benefits are often limited by the side-effects related to their use.

Cancer epidemiology

The unmet medical needs in oncology are very significant. According to the World Health Organization (WHO), in 2012 there were over 14 million new cases, 8.2 million cancer deaths, and 32.6 million people living with cancer.

According to the American Cancer Society, half of the men and one third of the women in the U.S. will develop a cancer during their lifetime. As cancer is a slowly progressing disease, and with the new therapeutic progress, the total number of individuals living with a cancer (the "prevalence") significantly exceeds the number of patients diagnosed with cancer in a given year (the "incidence").

The medical needs related to cancer increase with the ageing of populations. According to the American Cancer Society (2017), 87% of people with cancer in the United States were older than 50 at the time of diagnosis.

The following table summarizes the estimated number of new cases for certain types of cancer and the associated death rate in the United States in 2019:

Estimated number of new cancer cases in the United States in 2018		
Site	**New cases of cancer**	**Deaths due to cancer**
Lung and bronchial	246,440	147,510
Colon[10]	145,600	51,020
Breast	271,270	42,260
Ovary	22,240	14,070
Pancreas	56,770	45,750
Prostate	174,750	31,620
Melanoma	96,480	7,230
Leukemia	61,780	22,840
Lymphoma	82,310	20,970
Multiple myeloma	32,110	12,960
Others	593,010	209,360
Total	**1,762,450**	**606,880**

[10]Deaths due to colon cancer combined deaths due to rectal cancer.

Source: American Cancer Society, 2019

1.3.4.2. MARKET DATA

Worldwide drugs market

The worldwide pharmaceutical market was estimated at 1,105 billion US dollars in 2016, a 3.4% increase with respect to 2015 at constant US dollar exchange rates (Source: IMS Health, 2017).

The following table shows the geographical distribution of this market:

Geographical area	Market in 2016 in value (billions of US dollars)	% of the total market	% of growth over 2015	% expected growth in 2016-2021
North America	481.0	43.5%	7.1%	6-9%
Europe	151.8	13.7%	5.4%	1-4%
Japan	90.1	8.2%	15.1%	-1-2%
ROW	381.8	34.6%	-3.9%	5-8%

Source: IMS Health, 2017

According to IMS Health, the worldwide pharmaceutical market should continue to expand over the next few years with an annual growth around 4 to 7% between 2016 and 2021.

Worldwide market for anti-cancer drugs:

The worldwide drug market has historically been dominated by cardiovascular and central nervous system treatments. Nevertheless, since the patent expiration of several "blockbuster" drugs in these areas and the marketing of new drugs to fight cancer, the latter indication currently represents the biggest pharmaceutical market with 88.6 billion dollars in 2015 (against 85.0 billion dollars in 2014 (Datamonitor Healthcare 2015).

Zone géographique	Market in 2015 in value (billions of US dollars)	% of the total market	Estimated market in 2024 (billions of US dollars)	CAGR
North America	46.3	52.2%	76.6	5.75%
Europe (France, Germany, Spain, Italy, UK)	19.3	21.8%	27.4	3.97%
Japan	7.7	8.7%	10.2	3.25%
ROW	15.3	17.3%	19.1	2.48%

Source: Datamonitor Healthcare, 2015.

This growth is fueled by an increase in volume, resulting from an increase in the number of people with cancer as well as the introduction of new products taken in monotherapy or in combination with products from the older generation. This market is dominated by innovations, especially innovations generated through biotechnologies. Because of the high medical need, the many therapeutic innovations, which have been introduced, have resulted in a significant increase in the cost of treatment. Two immuno-oncology drugs (Opdivo® and Keytruda®) introduced in 2014 benefit from very favorable prices, which exceed 90,000 US dollars per treatment course and an estimated annual cost of 150,000 US dollars. The immuno-oncology market potential is valued over 50 billion dollars in the next 10 years (Source: Citi, October 2017). In 2018, the 7 approved products, of which 6 anti-PD1/PD-L1, generated over 15 billion dollars in turnover (growth of 66% compared to 10 billion dollars in 2017).

1.4. REGULATORY ENVIRONMENT

Risks related to the Company's regulatory environment are described in paragraph 1.9.7.1 "Risks related to the Company's regulatory environment".

1.4.1. Introduction

Research and development work, preclinical tests, clinical studies, facilities, and the manufacture and sale of the Company's drug candidates are and will continue to be subject to the complex legislative and regulatory provisions laid down by the various public authorities in France, Europe, the United States and other countries.

The European Medicines Agency ("EMA"), the Food and Drug Administration ("FDA") in the United States, l'Agence Nationale de Sécurité du Médicaments et des Produits de Santé ("ANSM") in France and the equivalent regulatory authorities in other countries impose considerable constraints on the development, clinical trials, manufacturing and sale of products such as those developed by the Company. In case of non-compliance with these regulations, the regulatory authorities may impose fines, seize or remove products from the market or even partially or totally suspend their production. They may also revoke previously granted marketing authorizations, reject authorization applications filed by the Company and undertake legal proceedings. These regulatory constraints are important in considering whether an active ingredient can ultimately become a drug, as well as for recognizing the time and investments necessary for such development.

Although there are differences from one country to another, the development of therapeutic products for human use must comply with the same types of regulations in all developed countries. To obtain marketing authorization for a product, proof must generally be provided of its efficacy and safety, along with detailed information on its composition and manufacturing process. This entails conducting sizeable pharmaceutical and preclinical developments, clinical trials and laboratory tests. The development of a new drug from fundamental research to marketing comprises five steps: (i) research, (ii) preclinical trials, (iii) clinical trials in humans, (iv) marketing authorization and (v) marketing.

1.4.2. Preclinical studies

Preclinical studies include laboratory evaluation of the purity and stability of the pharmaceutical active substance and the formulated product, as well as in vitro and animal studies to assess the safety (toxicological studies), the activity and the behavior of the product candidate for initial testing in humans. The conduct of preclinical studies is subject to applicable regulations and requirements, including good laboratory practices ("GLP") regulations. The results of the preclinical tests are submitted to the applicable regulatory agencies in connection with the initial application for clinical trials in humans.

1.4.3. Conduction and regulation of clinical trials

In humans, clinical trials are usually carried out in three phases (Phase I, II and III) that are generally sequential, but can also overlap, notably in various indications or therapeutic combinations. Before progressing onto the next stage, each phase must meet different requirements and objectives that demonstrate the benefit and wellbeing of patients.

- Phase I: the drug candidate is administered to determine its initial safety profile, to identify side-effects and to evaluate tolerance at the doses administered, as well as its distribution in the body and its impact on the metabolism. Sponsors sometimes designate their Phase I trials as Phase Ia or Phase Ib. Phase Ib trials are typically aimed at confirming dosing, pharmacokinetics and safety in larger number of patients than in Phase Ia. In oncology, based on Phase I trials including cohort expansions, accelerated developments are sometimes executed and lead to a marketing authorization. For instance, it is the case of drugs developed in rare diseases.
- Phase II: the drug candidate is studied in a limited patient population to determine preliminary efficacy and optimum dose level as well as to identify possible adverse effects and safety risks.
- Phase III studies are comparative trials intended to produce data demonstrating the relative efficacy and tolerance in an expanded patient population.

Trials, sometimes referred to as Phase IV studies, may also be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the applicable regulator may mandate the performance of Phase IV clinical trials as a condition of approval.

Clinical trials may be conducted in the United States, in Europe or in other parts of the world provided such trials have been approved by health authorities and ethics committees in each country where the trial is conducted. Regulatory authorization is needed to carry out clinical trials. The regulatory authorities may block, suspend or

require significant modifications to the clinical study protocols submitted by companies seeking to test products.

In most countries, clinical trials must comply with the Good Clinical Practice standards as defined by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("ICH").

The EU regulation No 679/2016 of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (GPDR) which entered into force on May 25, 2018 significantly increases the rights of citizens by giving them more control over their personal data. French, law has been made compliant with the GPDR with the update of the law No. 78-17 of January 6 1978, , concerning information systems, files and freedom (law No. 2018-493 of June 20 2018 and rewriting ruling No. 2018-1125 of December 12 2018).

In compliance with the Computing and Freedom law, the personal data gathered for clinical trials are declared in simplified form to the Commission Nationale Informatique et Liberté ("CNIL"). Patients have the right to access and correct these data. Patients must be periodically informed on trials in progress and overall findings from research.

Clinical trials must be carried out in compliance with complex regulations throughout the various phases of the process, based on the principle of informed consent by the patient to whom the products will be administered. The patient must be kept informed of the objective, methodology and duration of the research, and also of the expected benefits and predictable constraints and risks associated with the administration of the products undergoing the clinical trials. This information is summarized in a written document given to the patient before any administration of products.

1.4.3.1. CLINICAL TRIAL AUTHORIZATION IN EUROPEAN UNION

European directive 2001/20/EC of 4 April 2001 concerning the application of Good Clinical Practices in conducting clinical trials of drugs for human use, was transposed into national legislation in each European Union member.

In the French legislation, the law No. 2004-806 of 9 August 2004 concerning public health policy and decree No. 2006-477 of 26 April 2006 amending the Article of the French Public Health Code regarding biomedical research, completed by several Ministerial orders dated 24 May 2006.

A clinical trial must be authorized by the ANSM and receive a positive opinion from an ethic committee before its starts. In broad terms, the agency evaluates the safety and the quality of the product used in research, with the objective of ensuring the safety of persons involved in the research. The Committee gives its opinion on the conditions of validity of the research, notably regarding the protection of participants and their personal information and the method for acquiring their informed consent, as well as the overall relevance of the project, the satisfactory evaluation of benefits and risks and the appropriateness of the resources implemented to meet the objectives.

Since the law No. 2012-300 of March 5 2012 (called "loi Jardé") regarding research involving humans is in force, amended by the ruling No. 2016-800 of June 16 2016 and the decree No. 2016-1537 of November 16 2016, the former regional authority has become a national one (through the random committee designation made at each new submission).

The content of the request for authorization of a clinical trial and the review process are similar in other European countries. The time for examining the application for authorization may not exceed 60 days from the date on which the complete file was received

The current European regulation relating to clinical trials has been revised and replaced by the clinical trial regulation EU No. 536/2014 of 16 April 2014, repealing the 2001/20/EC Directive. The new regulation, which should come into effect by the end of 2020, will allow better consistency throughout EU Member States. It will be applicable in all EU Member States.

The main changes introduced by the regulation are as follows:

- A single authorization procedure for clinical trials which will consist in a common part assessed jointly by all participating EU member states and a national part covering the ethical and operational aspects of the trial assessed by each EU Member state independently. A single and unique decision, covering all aspects of the request, will be issued by each EU Member state.
- An increased transparency of authorized clinical trials in the European Union: the European Union database will serve as the source of public information, without

prejudice of personal data protection, commercially confidential information protection, and protection of confidential communication between Member State and trial supervision between Member States.

Public information will include, for medicinal products under development, information about the clinical trial authorization, general information about the trial, and a summary of the final results.

1.4.3.2. CLINICAL TRIAL AUTHORIZATION IN UNITED STATES

In the United States, a trial can only be started if it has obtained an authorization from the FDA and from an ethics committee (Institutional Review Board). An Investigational New Drug application ("IND") must be submitted to the FDA and accepted before clinical trials can start on humans. This application contains early research data as well as the pharmaceutical dossier, preclinical and clinical data (if any) and includes the clinical protocol. If there is no objection from the FDA, the IND application becomes valid 30 days after it is received. At any time, the FDA may request the suspension of clinical trials, whether planned or in progress. This temporary suspension continues until the FDA receives the details it has requested. Furthermore, any IRB with authority over a clinical site may delay or suspend clinical trials, either temporarily or definitively, if it believes that patient safety is not ensured or in case of non-compliance with regulatory provisions.

1.4.3.3. DISCLOSURE OF CLINICAL TRIAL INFORMATION

In the United States, sponsors of clinical trials of FDA-regulated drugs are required to register and disclose certain clinical trial information along with its results, which is publicly available at www.clinicaltrials.gov.

In the European Union, clinical trial information as well as the results at the end of the trial are made publicly available for phase II to phase IV trials as well as for any pediatric trial at www.clinicaltrialsregister.eu.

1.4.4. Regulations concerning marketing authorizations

To be marketed, any given manufactured drug product must obtain a regulatory authorization (New Drug Approval or "NDA"/Biological License Application or "BLA") in the US and Autorisation de Mise sur le Marché or "AMM" in France) from the competent authority, being the FDA in the USA, the EMA in Europe and the ANSM in France. Companies apply for an NDA (USA) or an AMM (France) based on quality, safety and efficacy. In Europe, in the USA and in Japan, the dossier is a standard dossier named Common Technical Document "CTD". The file relating to the AMM describes the manufacture of the active substance, the manufacture of the final product and the clinical and nonclinical studies.

In Europe, there are two types of AMM applications: the community procedures when the drug is intended to be marketed in several European countries and the national procedure when the drug is intended to be marketed in one member state only.

It is possible for a drug to be withdrawn from the market, upon the company's request or upon the request of the health authorities, if a serious problem arises, in particular a safety-related problem or non-compliance with manufacturing rules.

1.4.4.1. COMMUNITY PROCEDURES

Since 1965, a deep harmonization process of pharmaceutical regulation within the European Community led to new marketing authorization procedures for medicinal products. Since January 1st, 1998, to access the European markets, drug products must be submitted to either the centralized procedure (as defined by Regulation n°2309/93/CEE and modified by regulation n°726/2004/CEE), the mutual-recognition procedure (as defined by Directive 2001/83/CE and modified by Directive 2004/27/CE) or the decentralized procedure since October 2005 (as defined by Directive 2004/27/CE).

- The centralized procedure is especially compulsory for biologicals, new cancer products and drugs with orphan drug status. The review process is carried out by the EMA's Committee for Medicinal Products for Human Use (CHMP) who forwards its scientific assessment report to the European Commission (EC), responsible for issuing the final marketing authorization decision. If the marketing authorization is granted by the EC, it is automatically valid for all European Union member states. The marketing authorization is valid for a period of 5 years further to the initial registration. Then, a renewal application file must be submitted. Once renewed, the marketing authorization is valid of an unlimited period of time, unless the Agency requests an exceptional additional renewal (for instance, further to a pharmacovigilance issue).
- In the decentralized procedure, companies apply simultaneously in all member states and the evaluation of the application is conducted in one of the states chosen as a reference country. If the authorization is granted, it is automatically and simultaneously granted in all other member states.
- In the mutual-recognition procedure, companies apply in one only of the member states. When the authorization is granted in this country, it could be extended to other countries via the mutual-recognition procedure.

To be registered within more than one country of the European Union, it is mandatory that the medicinal product goes through one of these Community procedures. Antibodies developed by Innate Pharma are medicinal products derived from biotechnology and are intended to be used for the treatment of cancer patients, they will therefore go through the centralized procedure at the time of the marketing authorization request.

1.4.4.2. NATIONAL PROCEDURE

Conversely, this type of procedure is used less and less as it now only applies to marketing authorization applications that are limited to a national territory.

1.4.4.3. REGISTRATION PROCEDURES OUTSIDE OF EUROPE

Pharmaceutical firms who wish to market their medicinal drugs outside the European Union submit marketing authorization application dossier to the national authorities of the concerned countries, for instance the Food and Drug Administration ("FDA") for the United States of America and the Kosheisho (Pharmaceutical and Medical Device Agency, PMDA) in Japan.

In the USA, the application of a new medicinal drug or NDA, or Biological License Application ("BLA"), is the process used by the FDA to approve a new medicinal drug to be market in the US market. To obtain this authorization, the manufacturer submits all the data and analysis of non-clinical and clinical trials, all the information concerning the product, and the manufacturing process and procedures.

Antibodies developed by Innate Pharma are medicinal products derived from biotechnology, they will therefore go through a Biological License Application.

1.4.4.4. NON-CLASSICAL REGISTRATION PROCEDURES

Aside from the traditional procedure of granting a marketing authorization, as described above, there are non-classical registration procedures that allow a shorter time-to-market for new medicines.

In Europe, they are:

- Conditional approval: valid only one year instead of five. It is granted only if the product responds to unmet medical needs, and if the benefits to public health outweigh the risks associated with uncertainty because

of an incomplete evaluation of the drug. Being granted a Conditional approval is determined by finalizing clinical trials and/or executing new trials so as to confirm the benefit/risk ratio of the drug.

- Accelerated approval: the evaluation process is accelerated (150 days instead of 210 days) when a drug represents a therapeutic innovation and is of major interest to public health. The PRIME project (Priority medicines), launched by the EMA in 2015, allows the early identification (from phase II/III) of medicinal products eligible for the accelerated assessment at the time of an application for marketing authorization, and provides further assistance such as scientific advices and enhanced dialogue throughout the development process.
- Approval in exceptional circumstances: a marketing authorization may be granted in exceptional cases, reviewed each year when the dossier for assessment of the drug is not complete. For instance when the indication is rarely encountered or that it would be unethical to collect the normal requested data.
- Temporary authorization of use: this is the opportunity, for instance in France (under what is called an Autorisation Temporaire d'Utilisation, or "ATU") to use a drug that does not have a French or European marketing authorization to treat serious or rare diseases with unmet medical need yet. The ATU can be granted for a particular patient or for a group of patients.

In the United States, these procedures also allow a faster development and market access of drugs in serious disease for which no appropriate treatment exists and the medical need is high (cancer, AIDS, Alzheimer's disease, etc.).

- The Accelerated Approval is a program that is intended to make promising products for life threatening diseases available on the market on the basis of preliminary evidence prior to formal demonstration of patient benefit. The FDA evaluation is performed on the basis of a surrogate marker (a measurement intended to substitute for the clinical measurement of interest) that is considered likely to predict patient benefit. A result of substitution or marker ("surrogate endpoint") is a result of laboratory or physical sign that is not in itself a direct measure of the patient's feelings, its functions or survival, but which allows to anticipate a therapeutic benefit. The approval that is granted may be considered as a provisional approval with a written commitment to complete clinical studies that formally demonstrate patient benefit. This procedure is equivalent to the "conditional approval" in Europe.
- The Priority Review is given to drugs that offer major advances in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the time it takes FDA to review a new drug application is reduced to 6 months (instead of 10). This procedure is equivalent to the "accelerated approval" in Europe.
- The Fast Track Program refers to a process for interacting with FDA to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. The advantages of this process include scheduled meetings to seek FDA input into clinical development plans and to collect appropriate data that will be needed to support approval. Fast Track designation does not necessarily lead to a Priority Review or Accelerated Approval.
- The "Breakthrough Therapy Designation" has existed since 2012. It is a process aimed at accelerating the development and examination of drugs which are intended to treat serious illnesses and where the preliminary clinical evidence indicates that the drug may exhibit a substantial improvement over the available therapies with regard to (a) clinically significant criterion (criteria).

A drug which is given the designation "Breakthrough Therapy" can benefit from the following:

- All of the features of the designation "Fast Track";
- Intensive support on a program for the development of effective drugs, from Phase I onwards;
- Organizational commitment involving "senior managers".

If research or additional studies show that a product presents a risk when it is marketed, the FDA may require its immediate withdrawal. In addition, FDA may withdraw approval for placing on the market for other reasons,

especially if the studies after approval are not made with due care.

1.4.4.5. ORPHAN DRUGS

A special authorization procedure is used for orphan drugs.

Orphan drugs are drugs used for the diagnostic, prevention or treatment of deadly or serious rare conditions. To be qualified as rare or orphan disease, the condition should affect no more than 1 people out of 2,000 in the European Union. The FDA grants the status of orphan drug to any drug aimed at treating diseases affecting fewer than 200,000 people a year in the United States.

These medicinal products are qualified as « orphan » products because of the little interest under normal circumstances of Pharmaceutical Industry in studying and marketing these drugs for a small number of potential patients (rare or orphan condition). Indeed, for the pharmaceutical company, the cost of getting the product on the market for such a rare condition could not be offset by expected sales.

In the United States, the 1983 Orphan Drug Act brings together various texts that encourage the development of treatments for orphan diseases. The Orphan Drug Act also provides the possibility of obtaining grants from the American government to cover clinical trials, tax credits to cover research costs, a possible exemption from application fees when filing for registration with the FDA, and a seven-year exclusivity if a marketing authorization is granted.

In Europe, equivalent legislation has been adopted to promote treatments for rare diseases. Under the terms of Regulation 847/2000/EC of 16 December 1999, as amended by Regulation 847/2000/EC of 27 April 2000, a drug will be considered as an orphan drug if its promoter shows in its submission to the EMEA that it is intended for the treatment of a pathology claim as orphan in the European Union, or that it is intended to be used in a life-threatening or chronically debilitating condition for which there is no satisfactory treatment and where it is unlikely that the marketing of the medicinal product in the Union would generate sufficient return to justify the necessary investment. If the product obtains orphan drug status, it is granted an exclusive 10-year marketing period during which no similar product may be sold for the same indication, as well as an exemption from regulatory fees and other advantages.

1.4.5. The Transparency of bond interest Decree or Sunshine Act “à la française”

Decrees no. 2013-414 of May 21, 2013 “on the transparency of the benefits given by companies manufacturing or marketing products for healthcare and cosmetic purposes that are intended for humans” and no. 2016-1939 of December 28 2016 regarding the public declaration of interests and transparency on benefits.

It specifies the details of “transparency” and of “public information” with regard to relationships (benefits obtained or agreements entered into) between companies producing or marketing products for healthcare and cosmetic purposes and certain actors in the field of healthcare. These companies have to make public:

- information relating to agreements entered into with healthcare professionals and other similar persons (with the exception of agreements governed by Articles L. 441-3 and L. 441-7 of the Code de commerce).
- all of the compensations and benefits agreed to, the amount of which is equal to or greater than 10 euros.
- the information are gathered on a unique website (www.transparence.sante.gouv.fr) under the responsibility of the Health Minister.
- These measures came into effect on July 1st 2017.

Similar laws exist in other countries, notably in the US (US Sunshine Act).

1.5. RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY

1.5.1. Research and development

See section 1.2 of the present reference document for a description of the Company's research and development activities and Note Intellectual property expenses from the consolidated financial statements for an analysis of related expenditures.

1.5.2. Intellectual property

Our commercial success will depend in part on obtaining and maintaining patent, trade secret and other intellectual property and proprietary protection of our technology, current and future product candidates and methods used to develop and manufacture them. We cannot be sure that patents will be granted with respect to any of our pending patent applications or to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be sufficient to protect our technology or will not be challenged, invalidated or circumvented. Our success also depends on our ability to operate our business without infringing, misappropriating or otherwise violating any patents and other intellectual property or proprietary rights of third parties.

We rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our trade secrets, in part, by confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Notwithstanding these measures, these agreements and systems may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants, contractors or partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. For more information regarding the risks related to our intellectual property, please refer to the section 1.9.8 "Risks Related to Intellectual Property Rights."

Patents

We file patent applications to protect our drug candidates, technical processes and the processes used to prepare our product candidates, the compounds or molecules contained in these product candidates and medical treatment methods. We also license rights to patents owned by third parties, academic partners or other companies in our field.

As of December 31, 2018, the term of our patents for our programs are as follows:

- Our Lumoxiti related patent portfolio is made of patents in-licensed by us and includes 3 granted U.S. patents, 1 pending U.S. non-provisional patent application, 2 granted European patents and 2 pending European patent applications in-licensed by us;
- Our IPH4102 related patent portfolio includes 1 pending Patent Cooperation Treaty, or PCT, patent application, 3 granted U.S. patents, 4 pending U.S. non-provisional patent applications, 1 pending U.S. provisional patent application,1 pending PCT patent application, 2 granted European patents, 4 pending European patent applications, 2 granted foreign patents and 25 pending foreign patent applications solely owned by us and 4 granted U.S. patents, 1 granted European patent, 4 granted foreign patents in-licensed by us;
- Our IPH5401 related patent portfolio includes 11 granted U.S. patent, 2 pending U.S. non-provisional patent applications, 7 granted European patents, 3 pending European patent applications and 17 granted foreign patents and 9 pending foreign patent applications in-licensed by us;
- Our IPH5301-related preclinical program patent portfolio includes 1 U.S. provisional patent application, 2 pending U.S. non-provisional patent applications, 2 pending European patent applications, and 11 pending foreign patent applications solely owned by us, 1 pending non-provisional PCT patent application and 1 pending European patent application co-owned by us with at least one other party;
- Our monalizumab-related patent portfolio includes 4 pending U.S. non-provisional patent applications, 2 pending U.S. provisional patent applications, 4 pending patent applications in Europe and 36 pending foreign patent applications solely owned by us, 1 granted U.S. patent, 1 pending U.S. non-provisional patent application, 1 pending U.S. provisional patent application, 2 granted European patents, 1 pending European patent application, 13 granted foreign patents and 2 pending foreign patent

applications co-owned by us with another party and 8 granted U.S. patents, 4 pending U.S. non-provisional patent applications, 3 granted European patents, 1 pending European patent application, 19 granted foreign patents and 20 pending foreign patent applications in-licensed by us. This patent portfolio includes composition of matter, formulations, and methods of use patents. The term of first proprietary composition of matter granted U.S. patent runs until 2028 at the earliest;

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- Our IPH5201-related preclinical program patent portfolio includes 4 pending PCT patent applications, 2 pending U.S. provisional application solely owned by us, and 2 pending U.S. provisional patent applications, 1 pending PCT patent application, 1 pending U.S. non-provisional patent application, 2 pending US non-provisional patent applications, 2 pending EU patent applications and 3 pending foreign patent applications co-owned by us with at least one other party, and 3 pending U.S. non-provisional patent applications, 2 granted European patents, 1 pending European patent application and 2 granted foreign patents in-licensed by us;
- Our IPH43-related patent portfolios includes 1 pending PCT patent application, 2 pending U.S. non-provisional patent applications, 2 pending EU provisional patent applications, 2 granted foreign patents, 1 pending European patent application and 18 pending foreign patent application solely owned by us;
- Our ADC technology patent portfolio includes 1 pending PCT patent application, 1 granted US patent, 1 pending U.S. non-provisional patent application, 2 pending European patent applications and 4 foreign patent applications solely owned by us, 3 granted U.S. patent, 5 pending U.S. non-provisional patent applications, 1 granted EU patent, 5 pending European patent applications, 1 granted foreign patent and 7 pending foreign patent applications co-owned by us with at least one other party, and 2 pending U.S. non-provisional patent applications, 3 granted European patents and 4 granted foreign patents in-licensed by us:
- Our bispecific technology patent portfolio includes 1 granted US patent, 7 pending U.S. non-provisional patent applications, 1 pending U.S. provisional patent application, 6 pending European patent applications, 20 pending foreign patent applications and 1 pending PCT patent application solely owned by us.

The table below summarizes Innate Pharma's patents as of December 31, 2018:

	Lumoxiti	IPH4102	IPH5401	IPH5301	Monalizumab	IPH5201	IPH4301	Technologie ADC	Technologie bispécifiques
Solely owned by us									
PCT patent application	-	1	-	-	-	4	1	1	1
Granted U.S. patents	-	3	-	-	-	-	-	1	1
Pending U.S. non-provisional patent applications	-	4	-	2	4	-	2	1	7
Pending U.S. provisional patent applications	-	1	-	-	2	2	-	-	1
Granted European patents	-	2	-	-	1	-	-	-	-
Pending European patent applications	-	3	-	2	4	-	2	2	6
Granted foreign patents	-	2	-	-	-	-	2	-	-
Pending foreign patent applications	-	25	-	11	36	-	18	-	20
Co-owned by us with at least one other party									
PCT patent application	-	-	-	1	-	1	-	-	-
Granted U.S. patents	-	-	-	-	2	-	-	4	-
Pending U.S. non-provisional patent applications	-	-	-	1	1	2	-	5	-
Pending U.S. provisional patent applications	-	-	-	-	1	0	-	-	-
Granted European patents	-	-	-	-	2	-	-	1	-
Pending European patent applications	-	-	-	1	1	2	-	5	-
Granted foreign patents	-	-	-	-	13	-	-	1	-
Pending foreign patent applications	-	-	-	-	2	3	-	7	-
In-licensed by us									
Granted U.S. patents	3	4	11	-	8	-	-	-	-
Pending U.S. non-provisional patent applications	1	-	2	-	4	3	-	2	-
Granted European patents	2	1	7	-	3	2	-	3	-
Pending European patent applications	2	-	3	-	1	1	-	-	-
Granted foreign patents	-	4	17	-	20	2	-	4	-
Pending foreign patent applications	-	-	9	-	19	-	-	-	-

The term of individual patents depends upon the legal term for patents in the countries in which they are granted. In most countries, including the United States, the patent term is 20 years from the earliest claimed filing date of a non-provisional patent application or its foreign equivalent in the applicable country.

A patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the regulatory agencies in examining and granting a patent.

Trademarks

At December 31, 2018, we own 5 trademarks, which have either been registered or are in the process of being registered: "Innate Pharma" in the United States, Australia, and Europe (EU community trademark), and "Innate" in Europe (EU community trademark), as well as the brand "Lumoxiti" and a figurative brand related to Lumoxiti, each of them are filed in the US, EU and several other countries throughout the world.

Protection of Intellectual Property

We have an internal intellectual property department and we also use external consultants for the filing, maintenance and defense of our patents.

In 2018, we filed 9 new proprietary patent applications as well as 61 applications extending our existing proprietary patents, including 8 patent cooperation treaties, and 53 national applications.

We also filed 2 new patent applications co-owned with academic or industrial partners and 14 patent applications for extensions to patents co-owned with academic or industrial partners. We also filed 1 patent application for an extension to a patent held solely by our academic or industrial partners.

1.6. IMPORTANT AGREEMENTS ON ASSETS

1.6.1. Agreements on Lumoxiti

In October 2018, Innate has licensed the US and EU commercial rights to AstraZeneca's recently FDA-approved Lumoxiti for hairy cell leukemia ("HCL"), marking the first step of Innate's strategy to become a fully integrated company.

Innate and AstraZeneca have set up a collaborative and staged transition of operations for the product, with AstraZeneca responsible for all aspects of the commercialization of Lumoxiti in the US up to mid-2020 at the latest, with a potential sooner transition. Innate, with support from AstraZeneca, will continue EU development and commercialization, pending regulatory submission and approval. In November 2018, AstraZeneca has started the commercialization of Lumoxiti in the US.During the transition period, Innate will reimburse AstraZeneca for costs incurred other than in 2019 where there will be some sharing of costs and will recognize profit (losses) of all Lumoxiti operations.

Per the agreement, Innate will pay low single digit royalties to two academic institutions for the use of a technology and a set of patents associated with Lumoxiti. These patents are to expire between 2022 and 2024, depending on the country.

1.6.1.1. SUMMARY OF THE COLLABORATION AND/OR LICENSE AGREEMENTS CONCERNING LUMOXITI

Licensor	Licensee	Next milestones payments (toward licensee)	Royalties (toward licensor)
AstraZeneca	Innate Pharma	2019 sales ($10m) EU BLA ($15m)	No

1.6.2. Agreements on IPH4102

Innate Pharma entered into a licensing agreement with Inserm in September 2002. In addition to the lump-sum payments made by the Company at certain milestones reached by IPH41, this contract requires the Company to pay royalties on future sales.

The Company also entered into a licensing agreement with Selexis inc. in which Innate Pharma gained rignts to use Selexis's technology. This license agreement includes undisclosed milestone payments and royalties.

1.6.3. Agreements on IPH5401

1.6.3.1. IN-LICENSING AGREEMENT WITH NOVO NORDISK A/S

On June 2, 2017, Innate Pharma announced that it entered into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401).

The terms of the transaction provide for a total upfront payment of €40m, of which €37.2m will be paid in new Innate Pharma shares (3,343,749 shares at the closing) and €2.8m in cash. Novo Nordisk A/S will be eligible for €370m in development, regulatory and sales milestone payments. Novo Nordisk A/S will also be eligible for double digit royalties on net sales.

1.6.3.2. CLINICAL COLLABORATION AGREEMENT WITH MEDIMMUNE

On January 30 2018, Innate Pharma SA announced that it entered into a clinical trial collaboration with MedImmune, the global biologics research and development arm of AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with Non-small lung cancer secondary resistant to checkpoint inhibitors or hepatocellular carcinoma. Innate will sponsor the study with costs equally shared by both parties. The agreement between Innate Pharma and MedImmune is non-exclusive.

1.6.3.3. OTHER AGREEMENT ON IPH5401

The Company is also bound to Lonza, which is eligible to receive milestone payments and non-disclosed royalties.

1.6.3.4. SUMMARY OF THE COLLABORATION AND/OR LICENSE AGREEMENTS CONCERNING IPH5401

Licensor	Licensee	Next milestones payments (toward licensee)	Royalties (toward licensor)
Novo Nordisk A/S	Innate Pharma	Not disclosed	Yes
Lonza	Innate Pharma	Not disclosed	Yes

1.6.4. Agreements on monalizumab

1.6.4.1. CO-DEVELOPMENT AND COMMERCIALIZATION AGREEMENT WITH ASTRAZENECA

On April 24 2015, the Company has signed a co-development and commercialization agreement with AstraZeneca to accelerate and broaden the development of Innate Pharma's proprietary anti-NKG2A antibody, monalizumab, including in combination with durvalumab (Imfinzi®), an anti-PD-L1 immune checkpoint inhibitor developed by AstraZeneca.

The financial terms of the signed agreement include cash payments of up to $1.275 billion to Innate Pharma as well as double digit royalties on sales. The initial payment is $250 million, which includes a consideration for the exclusive global rights to AstraZeneca to co-develop and commercialize monalizumab in combination with durvalumab and access to monalizumab in monotherapy and other combinations in certain areas.

In October 2018, AstraZeneca exercised its option to obtain full rights to monalizumab in oncology, triggering a $100 million payment in January 2019. AstraZeneca will pay to Innate a further $100 million following dosing of the first patient in the first Phase 3 clinical trial (pivotal study for purposes of regulatory approval).

AstraZeneca will pay to Innate a further $100 million following dosing of the first patient in the first Phase 3 clinical trial (pivotal study for purposes of regulatory approval), as well as additional regulatory and sales-related milestones of up to $925 million. AstraZeneca will book all sales and will pay Innate double-digit royalties on net sales. The arrangement includes the right for Innate to co-promote in Europe for a 50% profit share in the territory.

1.6.4.2. IN-LICENSING AGREEMENT WITH NOVO NORDISK A/S

On February 5 2014, Innate Pharma SA and Novo Nordisk A/S announced that Innate Pharma had acquired full development and commercialization rights to the anti-NKG2A.

In consideration of the license of anti-NKG2A to Innate Pharma, Novo Nordisk A/S received 2 million euros in cash and 600,000 shares for licensing anti-NKG2A to Innate and is eligible to a total of 20 million euros in potential registration milestones and single-digit tiered royalties on future sales. The acquisition of the Innate Pharma shares was approved at Innate Pharma's shareholders' general meeting on 27 March 2014.

Novo Nordisk A/S had licensed anti-NKG2A from Innate Pharma in 2006 as part of a multi-year research and collaboration agreement between the two companies, which included anti-KIR and anti-NKG2D, as well as anti-NKG2A.That initial license included total milestones of 25 million euros and single-digit royalties, below 10%.

On March 24, 2016, Innate Pharma and Novo Nordisk A/S have signed an agreement relating to the amount owed by Innate Pharma to Novo Nordisk A/S as a result of the agreement signed with AstraZeneca on April 24, 2015 described in section 1.5 above. Novo Nordisk A/S received 6.5 million euros. In addition, following the payment of $100 million from AstraZeneca to Innate Pharma pursuant to the option exercise, Innate Pharma has paid $15 million to Novo Nordisk A/S in February 2019.

The history of the different agreements with Novo Nordisk A/S is described in paragraph 6.5.8.1 of Innate Pharma's 2010 Reference document, which was filed with the AMF on the April 29, 2011, and in section 4.6 of this Reference document.

1.6.4.3. OTHER AGREEMENTS RELATED TO MONALIZUMAB BY WHICH THE COMPANY HAS ACQUIRED RIGHTS

On the date of this Reference document, the Company is bound with the University of Genoa on the basis of a license agreement concerning the IPH22 program, through which the University of Genoa has granted to the Company the exclusive international rights to develop, manufacture and market products covered by patents protecting the use of products such as IPH22. The University of Genoa is eligible to milestone payments and royalties on future sales. The Company is also bound to Lonza, which is eligible to receive milestone payments and non-disclosed royalties.

1.6.4.4. SUMMARY OF THE COLLABORATION AND/OR LICENSE AGREEMENTS CONCERNING IPH22

Licensor	Licensee	Next milestones payments (toward licensee)	Royalties (toward licensor)
Innate Pharma	AstraZeneca	Prior decision to initiation of Phase III	Yes
Novo Nordisk A/S	Innate Pharma	At market registration	Yes
University of Genoa	Innate Pharma	Not disclosed	Yes
Lonza	Innate Pharma	Not disclosed	Yes

1.6.5. Agreements on IPH5201

1.6.5.1. OUT-LICENSING AGREEMENT WITH ASTRAZENECA

As part of the agreement signed in October 2018, AstraZeneca has paid Innate a $50m upfront payment for the option to the exclusive license to co-develop and co-commercialize IPH5201 and will pay up to $835m in opt-in payments, development and commercial milestones and high-single to double-digit tiered royalties. AstraZeneca may exercise the option before Phase III trial start.

AstraZeneca will take all the development costs up to Phase III studies. Innate retains the right to participate in cost sharing for Phase III to receive 50% profit sharing within the EU.

1.6.5.2. IN-LICENSING AGREEMENT WITH OREGA BIOTECH

On January 10, 2016, Innate Pharma and Orega Biotech announced that they entered into an exclusive licensing agreement by which Orega Biotech granted Innate Pharma full worldwide rights to its program of first-in-class anti-CD39 checkpoint inhibitors. Under the terms of the agreement, Orega Biotech has received and will recesive undisclosed upfront payment, milestone payments for preclinical, clinical and regulatory achievements as well as royalties on net sales.

1.6.5.3. OTHER AGREEMENTS ON IPH5201

The Company also entered into a licensing agreement with Selexis inc. in which Innate Pharma gained rignts to use Selexis's technology. This license agreement includes undisclosed milestone payments and royalties.

1.6.6. Agreements on Additional Preclinical Molecules

As part of the agreement signed in October 2018, AstraZeneca has paid Innate a $20m upfront fee for the option to gain access to four preclinical molecules and will pay up to $855m per target in opt-in payments, development and commercial milestones and high-single to double-digit tiered royalties. AstraZeneca may exercise the option before start of clinical development. After opt-in, AstraZeneca will take all the development costs up to Phase III studies. Innate retains the right to participate in cost sharing for Phase III to receive 50% profit sharing within the EU.

If one of the selected programs under the option agreement is early discontinued, AstraZeneca has the right to replace such discontinued program by another one among IPH preclinical pipeline, under certain conditions.

1.6.7. Agreements on lirilumab

The agreements' history on lirilumab is detailed in previous Reference Documents.

1.6.8. Other agreements on intellectual property rights

Given the very nature of the Company's activity, signing agreements for the acquisition or sale of intellectual property rights is part of the Company's normal course of business. There are essentially two types of agreements:

- exclusive collaboration and option agreements or research collaboration agreements. These agreements include a part covering collaboration on a specific work plan or in a specific field for a limited period of time and a part granting an exclusive option to license certain intellectual property rights. The duration of exclusive licenses under option varies according to the terms of the contract, but generally lasts for the duration of the underlying intellectual property rights. Under these agreements, the Company pays research and development fees for the collaboration part and for the exclusive license part, it agrees to pay an upfront fee (or technology access fees), milestone payments (which depend on the completion of certain stages) and, if the covered products or technologies are marketed, royalties on sales;
- exclusive agreements for options, licenses or the assignation of rights by which the Company acquires rights to existing intellectual property. The option agreements are generally of limited duration, corresponding to a period during which the Company evaluates the opportunity to acquire the license for the intellectual property rights concerned, and as a compensation for this, the Company generally pays an option fee and covers the past and present intellectual property costs of the assets being optioned. As compensation for the exclusive license rights (whose duration varies according to the terms of the contract but generally lasts for the duration of the underlying intellectual property rights), the Company notably pays an upfront fee (or technology access fees), milestone payments which depend on the completion of certain stages, and, if the covered products or technologies are marketed, royalties on sales.

The Company has a certain number of ongoing research collaboration agreements with other academics. The Company also has agreements with Inserm (Institut National de la Santé et de la Recherche Médicale, French National Institute of Health and Medical Research) and Inserm-Transfert, a private subsidiary of Inserm, which manages the promotion and the transfer of Inserm's laboratory science, including agreements signed in March 2004, 2010 and 2013 respectively, in relation to different research programs carried out at the Centre d'Immunologie de Marseille-Luminy (Marseille-Luminy Immunology Centre, "CIML"). In 2014 we signed a consortium agreement with the University of Aix-Marseille and a number of other organizations for the development of an immuno-technology platform in Marseille.

We have other collaboration agreements, including an agreement signed in 2011with the Paul Scherrer Institute ("PSI"), a Swiss public research institute, concerning research work conducted within the PSI to develop an antibody engineering technology. The Company has also entered into a license agreement in February 2014 with the Paul Scherrer Institute, in respect of patents in the field of antibody conjugates. The Company also has options, licenses or assignation of rights agreements, signed with organizations, academic laboratories or companies, whether or not they have other collaborative research agreements with the Company.

The Company has entered into a license agreement in December 2013 with Novo Nordisk Healthcare AG in respect of patents in the field of protein engineering.

On January 11, 2016, Innate Pharma and Sanofi announced that they have entered into a research collaboration and licensing agreement to apply Innate Pharma's new proprietary technology to the development of innovative bispecific antibody formats engaging NK cells to kill tumor cells through the activating receptor NKp46. Under the terms of the license agreement, Sanofi is responsible for the development, manufacturing and commercialization of products resulting from the research collaboration. Innate Pharma is eligible to up to €400m in development and commercial milestone payments as well as royalties on net sales.

1.6.9. Accounting for payments in relation to these agreements

The Company has two different accounting methods according to the nature of the service:

- contracts related to the provision of services: these contracts are mainly related to research and development personnel made available by the Company's co-contracting party. This availability remains constant throughout the duration of the contract and invoicing for the service is spread out over the period (this is the case of the contracts with the universities of Genoa and Perugia); and
- contracts giving rise to milestone payments: when a milestone has been reached, the Company informs the co-contractor and enters the corresponding expenses into the accounts for the accounting period. Furthermore, when these contracts include an upfront payment, this payment is recorded as income on the basis of the possible obligation of the Company.

Independently of these two accounting methods, some contracts call for the payment of annual fees (which are not royalties) whose cost is accounted for in the corresponding accounting period. These contracts also call for the payment of royalties when the products in question are marketed. No royalties of this type have been paid to date. They will be entered in to the accounts as expenses for the accounting period in question. These contracts do not give rise to deferred charges in the accounts or to the activation of intellectual property elements in the assets of the Company.

1.7. INVESTMENTS AND REAL ESTATE

1.7.1. Investments

Due to the Company's organizational structure, which uses subcontractors to perform the majority of its research and development activities and manufacturing, its investments in tangible assets are, historically, relatively low in value compared to its research and development expenses, apart from its headquarter, acquired and renovated in 2008 (see Section 3.2.1.2). During the fiscal year 2017, the Company signed a lease agreement to rent administrative premises in order to face the rise of its staff. Following the move of some teams to these new premises, some refurbishment works were carried out in the headquarters, especially to

create new laboratories. The global cost of these refurbishment works amounted to €1.5 million.

Regarding the investments in intangible assets, the acquisition of the rights relating to monalizumab from Novo Nordisk A/S in 2014 and the additional consideration resulting from the agreement signed with AstraZeneca in 2015 have been recognized as intangible assets for €7.0 million and €6.5 million, respectively (see Note 6 of paragraph 3.3).

In addition, AstraZeneca's exercise of the exclusivity option in October 2018 (see note 6 in 3.3) triggered the payment of a second and final additional consideration of $15.0 million (€13.1 million), which was recognized as a liability at the end of the 2018 fiscal year

In 2016, the Company acquired the rights of an anti-CD39 antibody from the company Orega Biotech. The amounts corresponding to the initial payment and the first development milestone were recognized as intangible assets. The criteria for triggering the first milestone payment as planned under the contract were noted in January and December 2018. As a result, at the date of this present reference document, the amounts of these milestone payments were paid to Orega Biotech and recognized as an intangible asset in addition to the amount of the initial payment. The collaboration and option agreement signed with AstraZeneca on October 22, 2018 led the Company to recognize the transfer of progressive control of a single performance obligation including an option to purchase a license and an R&D work obligation.

In 2017, the Company acquired the rights of an anti-C5aR antibody from Novo Nordisk A/S. The amount of €40.0 million (including 2.8 million euros paid in cash and 37.2 million euros paid in Company's shares) corresponding to the initial payment was recognized as intangible assets. The anti-C5aR program is still under development, the acquired license is classified as current assets.

In 2018, the Company acquired the rights to market Lumoxiti from AstraZeneca. The amount of $50.0 million (€ 43.5 million) corresponding to the initial payment was recognized as intangible assets, paid in January 2019, reduced by $15.0 million (€13.0 million), which corresponds to the maximum amount to be financed by AstraZeneca for commercial and R&D costs for the fiscal year 2019 cost sharing mechanism.

1.7.1.1. HISTORICAL INVESTMENTS

During the past three years, investments in tangible assets amounted to €3.0 million and €1.0 million for the fiscal years, 2017 and 2018, respectively.

Investments in intangible assets amounted to €3.1 and €0.5 million for the fiscal years 2017 and 2018, respectively.

Net financial investments/(disinvestments) amounted to €(12.2) and €(24.2) million for the fiscal years 2017 and 2018, respectively. These cash flows take place in the context of the global cash management policy of the Company.

1.7.1.2. CURRENT INVESTMENTS

For the fiscal year 2018, the Company purchased some laboratory equipments which enabled the modernizing of the existing park and to carry out the new activities necessary for the development of the Company.

1.7.1.3. FUTURE INVESTMENTS

As of December 31, 2018, no strong commitments.

1.7.2. Real Estate

On June 9, 2008, Sogébail (a subsidiary of Société Générale) acquired from the City of Marseille a real estate lot comprising approximately 10,000 sqm of land as well as an existing 3,000 sqm building located in Luminy (South Marseille), and then lease-financed it to the Company in order for it to install its headquarters and main laboratories. The Company settled in these premises in December 2008.

The acquisition cost amounted €1,544 thousand (excluding VAT), half of which being allocated to the value of land and the other half allocated to the value of the building. The building is being depreciated since July 1, 2008.

The Company has conducted significant renovation works in the building and transferred its headquarters and main laboratories at the end of 2008. The amount of renovation

works conducted amounted to €5,086 thousand (excluding VAT) as of December 31, 2008.

The total amount invested by the Company in this real estate transaction amounted to €6,770 thousand (excluding VAT), including acquisition price, acquisition-related costs and renovation works.

The Company entered into a twelve-year lease-financing agreement with Sogébail for a total amount of €6,551 thousand (excluding VAT). The difference between the total amount invested and the amount financed through the lease-financing agreement with Sogébail, or €219 thousand, was self-financed by the Company.

Renovation was completed on December 16, 2008. The Company has an option from Sogébail to purchase the real estate lot for the lump sum of 1 euro at the term of the lease-financing agreement.

In December 2017, Innate Pharma acquired, from the City of Marseille, a land nearby its own, amounting to €495 thousand. This acquisition is part of the future construction of a building and was financed through a midterm loan.

The topics of Grenelle 2 describing the general policy of Innate Pharma as regards the environment, pollution and waste management are included in paragraph VII (Society and Environmental Responsibility Report) of the Company's management report, will be made available on its website during the second quarter of 2017.

1.8. SOCIAL INFORMATIONS

Employment contracts for employees based in France are subject to the Pharmaceutical Industry Collective Agreement. The Company believes that it has good relationships with its employees.

At December 31, 2018, the Company had 195 employees, compared to 188 at December 31, 2017. On the staff ex-Executive Committee, 79% of Company employees worked directly in R&D. The staff comprises 56 PhDs, MDs or PharmDs, representing 29% of the total staff.

The topics of Grenelle 2 describing the general policy of Innate Pharma as regards environmental and social matters are included in paragraph VII (Social and Environmental Responsibility Report) of the Company's management report, will be available on its website during the second quarter of 2019.

1.9. RISK FACTORS

The Company operates in a constantly evolving environment involving many risks, some of which are beyond its control. Before buying the Company' shares, investors are invited to examine all the information contained in this Reference Document, including the risks described below. The Company has reviewed the risks, and presents in this chapter the risks which it is believed, as of the date of this Reference Document, may have a significant adverse effect on its business, prospects, financial situation, results and growth, and which in this context are important for making any investment decision. Investors' attention is however drawn to the fact that the list of risks presented in Section 1.9 is not exhaustive and that other risks, currently unknown or considered unlikely as of the date of this Reference Document to have a significant adverse effect on the Company, its business, prospects, financial situation, results and development may exist or could occur.

In order to identify and evaluate the risks which might negatively impact its activity, prospects, financial situation, results (or its ability to achieve its objectives) and development, the Company has mapped, since 2007, the risks associated with the Company's business. This has firstly enabled the Company to identify potential risks and evaluate their probability of incidence as well as, without it being necessarily possible to quantify it with regard to non-financial risks, their potential impact from a financial, legal, reputational perspective, as well as on the achievements of the objectives of the Company, and then to identify and evaluate ways to control these risks.

The mapping of risks is a management tool. It is periodically reviewed. At the time of the periodic risks review, the set of risks and mitigation actions is reviewed and reassessed. This tool is also supplemented by a detailed analysis of causes and impacts if any significant risks occur. This methodology should give an overview of the risk environment that affects the Company and should enable it to define, if necessary, the action plan for risk management and the areas of control and internal audits for the year to come.

The risk-mapping exercise enabled the Company to summarize the main risks and group them in the categories, shown below.

1.9.1. Risks related to the Company's competitive environment

The pharmaceutical market is characterized by rapidly evolving technologies, an emphasis on products protected by intellectual property rights and intense competition. Numerous entities, including pharmaceutical companies, biotechnology companies, university institutions and other research organizations, are actively engaged in the discovery, research, development and sale of drugs, among which immunotherapy products for cancer (see section 1.3.3 "Market and strategy"). Once on the market, one of our immunotherapy products could compete against a number of established therapies. Such a product could also compete against a number of innovative therapies under development or recently introduced in the market, such as targeted therapies, monoclonal antibodies, anticancer vaccines, cell therapy, gene therapy, angiogenesis inhibitors and signal transduction inhibitors.

Many of the Company's competitors developing anticancer therapies have considerably greater resources and experience in management, research, conducting clinical trials, manufacturing and marketing. In particular, large pharmaceutical laboratories have substantially more experience than the Company in all these stages. Smaller or more recently established companies, particularly in immunotherapy, could also be considered competitors. All of these companies are also likely to compete with the Company to acquire rights for promising products and other complementary technologies.

Finally, the Company cannot guarantee that its products will:

- Obtain the regulatory authorizations, be protected by patents or launched faster than competitors' products;
- Be competitive in the face of competitors' products, which would prove to be safer, more effective or less expensive;
- Be competitive in the face of competitors' products, which are more efficient in their manufacturing and their marketing;
- Be commercially successful;
- Not become obsolete or unprofitable due to technological progress or other competitors' therapies.

The strategy of the Company includes entering into partnerships with other organizations, notably pharmaceutical companies for the development, registration and marketing of its drug candidates, as well as academic laboratories or other laboratories to access technologies and innovative targets. There is also intense competition between companies seeking such partnerships, and the Company might therefore not be able to enter into the partnerships it needs, or might have to enter into them under conditions that are less favorable than expected.

The Company constantly analyzes the market and drug candidates in development, notably by gathering opinions from sector experts.

1.9.2. Risks related to the commercialization of Lumoxiti

Since acquiring Lumoxiti in October 2018, the Company's first commercial product, the Company has been exposed to the risks associated with marketing a medicinal product. A number of factors govern the commercial success of a product that has just received its marketing authorization, including, in particular, the issue of reimbursement of the product by health insurance and social security systems. These risks currently apply to Lumoxiti, but they are relevant for all the Company's drug candidates to be marketed in the future.

1.9.2.1. RISKS OF COMMERCIAL FAILURE

Lumoxiti obtained a marketing authorization in the United States in September 2018 and we expect to submit a marketing authorization application in Europe in the second half of 2019.

After obtaining an MA enabling us to market our products, we might need time to gain buy-in by the medical community, care prescribers and third-party payers.

The degree of market acceptance depends on several factors, including:

- Marketing efforts undertaken by the Company, or the Company's partners in the case of Lumoxiti, for which AstraZeneca is responsible for marketing in the United States during a transition period that could run until mid-2020;
- Healthcare providers' perceptions of the product's therapeutic benefit;
- Clinical developments after marketing authorization;
- Adverse effects occurring after marketing authorization;
- Existence of alternative therapeutic options;
- Ease of the product's use, especially regarding the administration procedure;
- Cost of treatment;
- Reimbursement policies of governments and other third parties (see below);
- Effective implementation of a marketing strategy; and
- Support from key opinion leaders.

Poor market penetration resulting from one of these factors will impact the sales that the Company expects to make and could lead to depreciation of the value of the product in question on the Company's balance sheet.
To accompany the acquisition of Lumoxiti, we established and started to implement a Company transformation plan including, in particular, a recruitment plan intended to follow and be implemented immediately, in compliance with the regulatory framework, in AstraZeneca operations so that the Company is as prepared as possible, by no later than mid-2020, to carry out all commercial and development activities related to Lumoxiti.

1.9.2.2. RISKS RELATED TO CHANGING DRUG REIMBURSEMENT POLICIES

In addition to what is stated above, market acceptance of our products depends, in part, on the reimbursement rate applied by public and private health insurers.

Public health insurance and other third-party payers try to limit the cost of care by limiting or denying coverage for expensive products and therapeutic procedures.

Even if they are reimbursed, the Company's ability to successfully market its products partially depends on the extent to which government authorities, private insurers and other organizations in Europe and in the United States will establish sufficient reimbursement rates for the cost of the Company's products and related treatments. Third-party payers challenge the price of therapeutic products and medical services more and more frequently. Cost control measures implemented by healthcare providers and reimbursement organizations and the effect of possible healthcare reforms could also negatively affect the Company's operating results.

1.9.3. Risks related to drug candidate development

Apart from Lumoxiti, all the Company's activities concern drug candidates, programs, which are still at the clinical or preclinical development stage. There are many inherent risks in drug candidate development, whether in scientific, operational, regulatory or other terms. These risks are particularly significant for the Company in view of the number of these programs that are still at a relatively early stage of development.

1.9.3.1. RISKS ASSOCIATED WITH THE SCIENTIFIC FAILURE OF ONE OR MORE OF THE COMPANY'S R&D PROGRAMS

The Company's portfolio consists of various programs at different phases of development, each aimed at developing a drug candidate (see section 1.2.2 "Programs being developed in the Company"). The development of a drug candidate is a long, costly and uncertain process, aimed at demonstrating the therapeutic benefit of this drug candidate in one or more indications in comparison with existing products or those being developed.

The Company may find itself in a situation where it is unable to demonstrate a good degree of tolerance or the clinical efficacy of one or more of its products, either at the clinical or the preclinical stage. Any delay in the preclinical development of a drug candidate could lead to a delay in initiating its clinical development. A failure in the preclinical development of a drug candidate could lead to abandoning its development. Any delay or failure at the various clinical stages for a given indication could delay the development of the product in this indication or in other indications. It could even lead to the complete halting of its development. Likewise, if the Company were unable to demonstrate a therapeutic benefit for a product, it may have to halt its development. This could also apply to a class of products,

where the failure of one of the products could mean halting the development of the whole class.

The risks related to the failure of a drug candidate's development are highly related to the stage of maturity of this drug candidate. Given the significant proportion of programs at a relatively early stage in the Company's portfolio of drug candidates (see section 1.2.2 "Programs being developed in the Company"), the Company considers that there is a substantial risk that some of them will not reach marketing authorization stage. This risk of failure is inherent to the Company's business. It has already happened for products or classes of products developed by the Company in the past and will continue to happen in the future.

Successful research and development necessarily involves a process of trial and error, but if failure or program stoppages were to occur too frequently, especially if they are at an advanced stage of development, this would compromise the Company's ability to continue its business and result in a lack of funding and lack of interest in its areas or research and its activities. All the measures put in place in the context of managing the R&D activities, both in terms of decision-making and of monitoring the projects, are therefore designed to control this risk, and in particular to determine the appropriateness of continuing the programs (and thus committing investments) when this risk is too high.

1.9.3.2. OTHER RISKS ASSOCIATED WITH THE DEVELOPMENT OF THE COMPANY'S DRUG CANDIDATES

In addition to the risk of scientific failure described in section 1.9.3.1 above, the development of a drug candidate, in particular at the clinical stage, requires considerable investment in terms of both time and financial resources as well as the involvement of highly specialized staff. The same applies for its marketing. The future success of the Company and its ability to generate revenue in the long term therefore depends on a number of operational factors, including:

- The ability to carry out clinical trials within satisfactory timescales and at acceptable costs;
- Where appropriate, the signature of partnerships and/or licensing agreements with more experienced pharmaceutical companies to share, or even carry out, the clinical and commercial development;
- The scalable production of pharmaceutical batches in sufficient quantities and of constant and reproducible quality, and their storage and transport, for the clinical trials and, where appropriate, marketing;
- The authorization by regulatory authorities to market the Company's products;
- The acceptance of the Company's products by the medical community, healthcare providers and third-party payers (such as social security systems); and
- The commercial success.

If the Company is not able to manage these factors, it will not be able to develop, let alone market its products, even though they may be a success in scientific terms.

1.9.3.3. DEPENDENCE ON THE MOST ADVANCED R&D PROGRAMS

The risks described in sections 1.9.3.1 and 1.9.3.2 above, are even greater as the most advanced drug candidates programs of the Company are at a relatively early, and therefore risky, stage in their development (Phase I and II – see section 1.2.2 "Programs being developed in the Company"). If the Company is, in the end, unable to successfully develop and eventually market these programs and if, in parallel, the Company is unable to reduce its dependence on these programs, the significant expenditure incurred to get to that stage will have been incurred needlessly, capitalized expenditure will have to be depreciated and the Company will be led back to an earlier stage of development, with no guarantee that it can continue development of its other programs.

In order to mitigate the risk of failure, the Company may partner with more experienced pharmaceutical companies particularly for complex development, such as for monalizumab or IPH5201.

Moreover, in clinical trials' protocols, the Company and its partners endeavor to include elements that enable to evaluate product-candidates' efficacy as soon as possible.

If the Company were unable to develop these compounds, the Company's business, prospects, financial situation, results and development could be significantly affected. In order to limit this product dependence risk, the early discovery activities of the Company are one of the Company's priorities as are strategies for partnering, development and acquisition of new compounds.

1.9.4. Risks related to the funding needs for the Company's activity

1.9.4.1. THE COMPANY HAS A HISTORY OF LOSSES AND ITS FUNDING HAS RELIED ON EXTERNAL FUNDING UNTIL NOW AND WILL CONTINUE TO DO SO IN THE FUTURE

Since the Company's operations began in 1999, and up to and including the fiscal year 2015, the Company has incurred operating losses. The fiscal years 2016 and 2018 were the only ones in recent years in which the Company posted an operating profit. The fiscal years ending December 31, 2017 and 2018 resulted in a net loss of €48.4 million, and a net income of €3.0 million, respectively. These losses result principally from significant investments in research and development for conducting preclinical studies and clinical trials with the Company's drug candidates. It should be noted that this turnover largely corresponds to an accounting spread of milestone payments and therefore has no impact on finances.

In the short term, the Company's revenue should continue to come from payments received under existing or newly signed partnership and licensing agreements, market issues, subsidies, research tax credits and, from now on, revenue from Lumoxiti sales. The Company's expenses should consist of research and development costs, marketing costs, overheads and payments to third parties that the Company is required to make under the terms of collaborative research, option or licensing agreements.

In the medium to long term, the Company's revenue should come from royalties on sales generated by its partners under the terms of partnership and licensing agreements for its products, as well as sales of other proprietary products sold by the Company itself or by partners. The Company is therefore exposed to the risk of these revenue sources being interrupted.

In order to keep operating losses to a minimum, reliable and effective accounting and financial processes have been implemented and their application is regularly monitored, in particular through the internal control system (see section 2.5 on internal control and risk management).

The Company has invested heavily since its business began in 1999. Operating costs were €84.0 million and €87.7 million for the fiscal years ending December 31, 2017 and 2018, respectively, in the absence of recurring income (the value of Lumoxiti sales was insignificant in the fiscal year 2018). Due to its solid cash position (€202.7 million as of December 31, 2018 in cash, cash equivalents and financial instruments), the Executive board anticipates that cash, cash equivalents and current and non-current financial assets are enough to support the Company's financing for the next twelve months. Beyond that date, should the Company find new sources of financing, these could be milestone payments related to partnered development programs, the signing of new partnerships with industrial and commercial partners and potentially new capital increases (which would have a dilutive effect).

The Company's future capital requirements will depend on numerous factors, such as:

- Higher costs and slower progress than expected for the Company's research and development programs and commercial activities;
- Higher costs and longer times than expected to obtain regulatory approvals, including the time to prepare submissions to regulatory agencies;
- Costs for preparing, filing, defending and enforcing the Company's patents and other intellectual property rights;
- Costs for technological and market developments, establishing and maintaining collaboration agreements and ensuring the efficient manufacturing and marketing of the Company's products; and
- New opportunities for developing promising new products or opportunities to acquire technologies, products or companies.

If our partners make no milestone payments, such payments being necessary to continue operation or the Company is unable to raise sufficient funds from other sources on acceptable terms, or to raise any funds at all, the Company might have to:

- Delay, reduce or terminate certain research and development programs;
- Reduce headcount;
- Obtain funds through collaboration agreements that may require the Company to assign rights to technologies or products, which it would have otherwise retained;
- Acquire licenses or sign new collaboration agreements that may be less favorable than those that would have been obtained under different circumstances; or
- Consider transferring assets or engaging in a close association with another company.

The Company incorporates financing risk and current uncertainties regarding raising capital on the financial markets into its management process. The signing of partnerships comprising upfront payments as well as milestones spread along the life of the agreement, and eventually royalties on sales aims to diminish, over time, the Company's reliance on the market for funding through capital increase. However, the Company considers that its dependence on the economic and stock-market environment remains high.

1.9.4.2. RISKS RELATED TO ACCESS TO PUBLIC GRANTS AND RESEARCH TAX CREDIT

Since the Company began operations in 1999, it has benefited from public funding for research expenditure, and especially from the French research tax credit, for the financing of its business. The Company's income coming from public financing for research expenditure was €11.4 million and €14.1 million, for the fiscal years ending December 31, 2017 and 2018, respectively. Research tax credit was €11.0 million and €13.5 million, for the fiscal years ending December 31, 2017 and 2018, respectively. Receivables from the State in terms of research tax credit were €13.5 million as of December 31, 2018.

Research tax credit is a major source of financing which could be called into question by a change in French tax regulation or a tax audit, which might result in a reduction in amounts received or to be received even though the company complies with the requirements concerning documentation and eligibility of expenses. The Company's compliance with these requirements is actively monitored by the Company's appointed external accountants.

In addition, research tax credit is usually reimbursed by the Government, during the fourth fiscal year following that under which the credit was determined, in the absence of imputation on an amount of tax payable. Nevertheless, since 2010, companies that meet the community SME criteria are eligible for the prepayment of research tax credit receivables. Community SME status is lost when the eligibility criteria are exceeded over two consecutive years. The Company meets the Community SME criteria as at December 31, 2018. According to management estimates, this status could be lost at the end of the fiscal year 2019.

1.9.5. Risks related to development of the Company

The Company's future depends on its ability to establish industrial partnerships to share development activities and/or costs and to market its drug candidates. It must also manage its internal and external growth and, in particular, following its acquisition of its first commercial product – Lumoxiti – put in place commercial capacities that have been very limited up to now. In this context, attracting and retaining the necessary qualified staff is even more important.

1.9.5.1. RISKS RELATED TO THE SEARCH FOR NEW PARTNERSHIPS AND THE DEPENDENCE ON EXISTING AND FUTURE PARTNERS

In order to develop and market its products, the Company intends to enter, and has entered into collaboration, research and license agreements with pharmaceutical companies that could assist it in the development and marketing of drug candidates and the financing thereof. Thus, several of our most advanced drug candidates are subject to agreements, including monalizumab, IPH5401 and IPH5201, as well as partnerships at earlier stages, such as the partnership for 4 other drug candidates at the preclinical stage and an agreement concerning innovative technology involving new antibody formats (see section 1.6). These agreements may differ depending on the Company's objectives, such as licensing, option and co-financing agreements for early-stage predefined research development to varying degrees.

We have also acquired from AstraZeneca the rights to Lumoxiti, which is already on the market in the United States and for which AstraZeneca remains the MA holder until mid-2020 at the latest. AstraZeneca will carry out most operational and commercial activities during this period.

The Company's partners could terminate existing agreements, possibly because they have other, higher priority, products in development or because the therapeutic area concerned is no longer a priority for them, or because the product potential is considered as too weak according to their investment criteria. This happened in 2008, for example, with the partnership with Novo Nordisk, when Novo Nordisk decided to refocus on inflammation and to stop oncology development. Also, the Company may fail to sign new agreements for its other drug candidates

and programs. Moreover, the Company's existing and future collaboration, research and license agreements may be unsuccessful.

If the Company is unable to sign new agreements or maintain the existing ones, the Company may have to consider alternative solutions, including continuing the development itself, provided it has the necessary resources, or abandoning or selling some programs completely, which could impede or limit its growth.

The Company cannot control the timing or quantity of resources that its existing or future partners will dedicate to research, preclinical and clinical development, manufacturing or marketing of its products. These partners may not perform their obligations according to the Company's expectations. We may also not have access to all information about the activities carried out by the Company's partners in connection with development of drug candidates, or product marketing activities. As a result, our ability to give our shareholders accurate information and to make informed operational decisions would be limited. For such reasons, the Company may encounter significant delays or be unable to launch its products in certain markets.

1.9.5.2. RISKS ASSOCIATED WITH MANAGING INTERNAL AND EXTERNAL GROWTH

The Company's strategy involves continuing the growth of its business internally, with the progress of its own research and development programs and the marketing of Lumoxiti, initially in the United States and then in Europe, and also externally, by the selective acquisition, in Europe and elsewhere, of complementary products and technologies, or companies with such assets, such as the acquisitions of anti-NKG2A and anti-C5aR from Novo Nordisk in 2014 and 2017.

The implementation of this strategy depends, in part, on the Company's capacity to carry out these acquisitions for growth under satisfactory conditions and to integrate them in the Company's operations or technology. The implementation of such a strategy could impose significant constraints, in terms of:

- Human resources: recruiting, training, managing, motivating and retaining a growing number of employees in France and in our US subsidiary;
- Financial and management system resources, with the identification and management of the appropriate financing;
- Infrastructures, with the expansion or transfer of the Company's laboratories, or the development of the Company's information system.

In view of this, the Company could have difficulty integrating acquisitions in its own operations.

1.9.5.3. RISKS RELATED TO ATTRACTING AND RETAINING KEY PERSONNEL AND SCIENTIFIC CONSULTANTS

The Company's success largely depends on the efforts and the expertise of its executive committee members and key scientific and medical personnel. The loss of their skills could alter the Company's ability to reach its objectives.

In addition, the Company will need to recruit new executive committee members and qualified scientific, medical and commercial personnel to carry out its clinical trials and to market the Company's medicinal products, and expand into areas that require specialized skills, such as regulatory affairs, marketing and manufacturing. The Company competes with other companies, research organizations and university institutions in recruiting and retaining highly qualified scientific, technical and management personnel. As competition is very intense in this field, the Company might not be able to attract or retain key personnel and scientific consultants under commercially acceptable conditions.

Recruitment of qualified personnel in the United States, particularly for medical and commercial activities related to Lumoxiti, could be difficult in a relatively short period of time, considering the Company's lack of presence and reputation in the United States at present, and also considering the stiff competition in the field, particularly with industrial stakeholders that can offer candidates financially more attractive packages.

The Company's policy is to reduce the amplitude of this risk via its human resources management, especially in terms of compensation and distribution of instruments that give access to capital.

1.9.6. Operational risks

Developing a drug candidate is a complex operation that can be subject to failure and delays due to organizational or operational reasons, irrespective of the validity of the underlying science. In addition, considering its small size, the Company uses numerous subcontractors for its operations and is therefore exposed to the attendant risks. Lastly, the Company is dependent on the information that it generates and/or uses, which may be wrong or which the Company may lose or not be able to use owing to problems with its information systems.

1.9.6.1. RISKS ASSOCIATED WITH FAILURE TO CONTROL THE PLANNING AND IMPLEMENTATION OF THE DEVELOPMENT ACTIVITIES FOR ONE OR MORE OF THE COMPANY'S PRODUCTS

Over and above the scientific risks inherent to the Company's business which can cause a delay, or even the halting of one or more of its research and development programs, risks inherent to the Company's organization and complex developments in regulatory and strong competitive and changing contexts could arise.

To structure and manage the Company's R&D activities and limit the risks, the Company has established a matrix structure according to management of the programs and based on technical expertises. The operation of the programs is based on the fundamentals of project management, i.e. identifying requirements for resources (human, equipment and financial) and planning to achieve defined and formalized objectives. Provisions for defining and communicating the objectives, for planning, monitoring and assessing requirements for resources, measuring the achievement of objectives, and for decision-making, are established and formalized.

Failing to comply with these provisions, or to take into account all the data or the latest developments (scientific, technical, medical and/or market knowledge) when planning a program could delay its development or even halt it. Although these risks are common to all players in this sector, they are even more relevant for the Company due to its limited financial and human resources.

1.9.6.2. RISKS ATTRIBUTABLE TO SUBCONTRACTORS, SUPPLIERS OF KEY MATERIALS, EXTERNAL COLLABORATORS, CONSULTANTS OR INVESTIGATORS

The Company makes considerable use of third parties in the context of its business. These may be subcontractors, suppliers of key materials, external collaborators (such as university partners), consultants (for example, in the scientific, strategic and intellectual property fields) or investigators (physicians leading clinical trials). Although the Company diversifies its sources of supply as much as possible, it does depend on third parties for numerous activities involved in carrying out its research and development programs.

Activities which have to be carried out by bodies with specific approvals which the Company does not have are assigned to subcontractors. The most critical of these activities include the production of batches of drug candidates for the Company's clinical trials in accordance with Good Manufacturing Practices and carrying out regulatory toxicology studies in accordance with Good Laboratory Practices. The Company may also have to subcontract certain activities associated with its clinical trials when they are carried out in foreign countries, in particular in the United States.

Reliance on third-party manufacturers creates additional risks which the Company would not have to deal with if it was to manufacture its own products. These risks include:

- Failure of third-party manufacturers to comply with regulatory and quality control standards;
- Production in insufficient quantities or the poor availability of the manufacturing providers in charge;
- Difficulties in the development, technical transfer or production of product-candidates;
- Damage during transport and/or storage of the Company's products (drug candidates) (against which the Company has taken out specific insurance – see section 1.9.11);
- Breach of its agreements by third-party manufacturers; and
- Termination or non-renewal of these agreements for reasons beyond its control.

If products manufactured by third-party suppliers fail to comply with regulatory standards, sanctions would be imposed on the Company. These sanctions could include fines, injunctions, civil penalties, refusal by regulatory organizations to grant approval to conduct clinical trials or marketing authorization for the Company's products, delays, suspension or withdrawal of approvals, license

revocation, seizure or recalls of its products, operating restrictions and legal proceedings.

If products manufactured by third-parties fail to comply with quality and/or product safety standards, our activities could slow down or even stop while waiting for the production of new batches (delay in the beginning of clinical trials or cessation of these).

The fact that non-conformities are noted when carrying out regulatory toxicology studies could result in delays in the development of one or more of the Company's drug candidates and would require further tests to be financed or to delay the studies while waiting for complementary investigations to be completed which could lead to additional costs. At a higher cost level, a regulatory non-conformity noted in the context of the clinical trials in which certain activities are carried out by third parties could have similar consequences and lead to marketing authorization being refused for the drug candidates developed.

To limit these risks, the Company pays particular attention to the choice of these third parties and monitoring the services they provide. The Company has defined quality criteria that are applied when third parties are selected and also annually during reassessments. At an operational level, the activities assigned to third parties are monitored and formalized on a daily basis and audits are conducted regularly.

Moreover, contracts signed with subcontractors usually contain clauses that limit their responsibility, which means that the Company might not be able to obtain full compensation for any losses that it might incur in the event the subcontractors involved were to violate these commitments. There is a system for reviewing all contracts in order to limit this risk.

In addition, the subcontractors or suppliers used could cease trading for economic reasons. To reduce this risk, the financial health of the Company's subcontractors and suppliers is regularly monitored.

The Company also uses third parties to provide certain intellectual services such as scientific, medical or strategic consultancy or services associated with intellectual property. These service providers are generally selected for their specific expertise, as is the case with the university partners with whom the Company collaborates. To build and maintain such a network under acceptable terms, the Company faces intense competition. Such external collaborators may terminate, at any time, their involvement. The Company can exert only limited control over their activities. The Company might be unable to obtain the intellectual property rights to the inventions targeted by collaboration, research and license agreements under acceptable terms. Moreover, these scientific collaborators may assert intellectual property rights or other rights beyond the terms of the agreement. These organizations are monitored as described previously.

The risks associated with intellectual property are covered in section 1.9.8 of this document.

Finally, the Company uses investigators to assist with conducting clinical trials. This involvement is governed by strict regulations and also contracts, with the aim in particular of preventing fraud, for example the generation of fictitious patient data or the biased use of data from patients taking part in the clinical trials. This risk is controlled by means of regular quality control of the data produced and by carrying out audits on the investigational sites.

1.9.6.3. RISKS ASSOCIATED WITH USING AN UNRELIABLE RESULT OR UNRELIABLE INFORMATION

Decisions to move the Company's programs forward are taken based on meeting requirements, based on all the results obtained throughout the development phases. If these results turn out to be incorrect or there is no traceability of the operations and data used to obtain the results, incorrect decisions could be taken and the Company's programs delayed, or even halted. We could move our research and development activities forward based on false positive results.

The more subcontractors and collaborators the Company uses for key research and development stages, the higher the risk. Managing the Company's subcontractors and collaborators therefore requires continuous, formalized control and auditing processes, which are described above in section 1.9.6.2. Internal auditing and control mechanisms have also been set up for work carried out in-house.

1.9.6.4. RISKS RELATED TO THE COMPANY'S INFORMATION SYSTEM

The main risks of the Company's information system are related to its security and availability, as well as to the integrity and confidentiality of the data. The occurrence of such risks could have a material adverse effect on the

Company's business, prospects, financial situation, results and development.

A security policy has been defined and its aim is to secure the different access possibilities to external and local networks, as well as to the software. This policy also contributes to ensuring data confidentiality. Furthermore, an Information Technology Charter details the rules for the use of IT tools and more generally for the information and communication system, as well as the users' responsibilities for the purposes of protecting their own interests and those of the Company.

The unavailability of the information system is also a risk for the Company's activities. Most data is generated electronically and hosted on the Company's network. If these data are not available or lost, the Company could not justify carrying out its research and development operations, thus preventing compilation of the information necessary for the documentation accompanying the development of a drug candidate, irrespective of its stage (preclinical development, clinical development and post-marketing authorization). In order to ensure data integrity, saving and filing processes have been set up and are reviewed on a regular basis.

1.9.7. Regulatory & legal risks

The company operates in a highly complex regulatory environment that is particularly strict as it ultimately concerns patient health. In this regard, the Company may be held liable for defective products, during clinical trials and, now, while Lumoxiti is marketed. Moreover, the Company is party to a complex network of agreements with third parties – agreements that cover intellectual property, subcontracting agreements, and partnership and development agreements. The Company could be forced to pay contractual penalties or be held liable if it fails to comply with certain provisions. It could also lose the benefit of certain non-compete clauses or clauses that give it access to intellectual property.

1.9.7.1. RISKS RELATED TO THE COMPANY'S REGULATORY ENVIRONMENT

The Company's activity is subject to extensive regulations and the applicable regulatory requirements are complex, potentially difficult to apply and subject to modification. The ANSM in France, the EMA in Europe and the United States FDA, and their counterparts in other countries, regulate the research and development, preclinical testing, clinical trials, manufacturing, safety, efficacy, record-keeping, labeling, marketing, sale and distribution of pharmaceutical products. In particular, if no authorization is issued by the FDA, it would be impossible for the Company to gain access to the American market, the world's largest pharmaceutical market in terms of value.

The regulatory authorization process for new therapeutic products requires the submission of detailed product characterization, manufacturing and control information, preclinical and clinical data and any information establishing the safety and potential efficacy of the product for each indication. It may also require ongoing studies after marketing authorization as well as manufacturing and quality controls.

Furthermore, inspections can be carried out by the authorities to check that the development of a drug candidate complies with applicable regulations. The organization of the Company, and notably of the regulatory department, aims at limiting the risk of not complying with these regulations and, as a result, the risk that, during an inspection, the regulatory authorities will observe a non-compliance to a rule. Nevertheless, even if the Company is doing its best to comply with the regulations, the regulatory authorities might observe a significant regulatory infringement, which might lead to delays in the development of a program, or its termination and, in the worst case, the termination of the Company's activities.

Data from preclinical and clinical studies are likely to give rise to different interpretations, which could delay the regulatory authorization, restrict its scope or force the Company to repeat trials in order to meet the requirements of the various regulators. The regulatory requirements and processes vary widely among countries, and the Company or its strategic partners may be unable to obtain authorization within each relevant country in a timely manner.

The regulatory authorities may prevent the Company from starting clinical trials or continuing clinical development if the data were not produced according to applicable regulations or if they consider that the balance between the expected benefits of the product and its possible risks is not sufficient to justify the trial. In addition, the Company might decide, or the regulatory authorities may request, to interrupt or end the clinical trials if patients are exposed to unexpected and severe risks. For similar reasons, the regulatory authorities could also withdraw the MA for one of our products after it has been put on the market.

Moreover, the Company's immunotherapy products are based on new technologies that are constantly evolving

and have not been extensively tested on humans. The applicable regulatory requirements are also complex, potentially difficult to apply and subject to significant modifications. Modifications to regulations during the development of a product and regulatory review may lead to delays or the refusal of the authorization.

As described in section 1.4.4.5, there are specific procedures for the development and marketing of orphan drugs. Our drug candidate IPH4102 obtained the orphan drug designation in Europe and in the United States. It may be possible that we could not benefit *in fine* of these procedures.

In Europe, the United States and other countries, regulations can potentially lead to:

- Significantly delay or increase the cost of development, testing, manufacturing and marketing of the Company's products; limit the indications for which the Company will be authorized to market its products; and impose new, more stringent, requirements, suspend marketing authorizations, request the suspension of clinical trials or the marketing of the Company's products if unexpected results are obtained during trials performed by other researchers on products similar to the Company's products.

Finally, where the Company not to comply with the laws and regulations governing its business, it could be subject to sanctions that could include the refusal to authorize pending requests, product recalls, sales restrictions and the temporary or permanent suspension of its operations or civil or criminal proceedings.

All the regulatory procedures are costly, can take many years and their results are difficult to predict.

Regulatory monitoring is an integral part of the Company's processes in the various areas in which it operates, both in 'business' terms and in terms of cross-functional management functions.

1.9.7.2. RISKS RELATED TO LIABILITY RISK AND PARTICULARLY TO THE RISK OF PRODUCT LIABILITY ACTIONS

The Company is exposed to potential liability, including product liability, inherent to conducting trials, manufacturing and marketing Human therapeutic products. The Company could also be liable in connection with clinical trials, including the preparation of therapeutic drug-candidates and unexpected side effects resulting from the administration of such products. Claims or legal proceedings may be filed or brought against the Company by patients, regulatory agencies, biopharmaceutical companies or other third parties using or selling its products. These legal proceedings could include complaints arising from actions taken by the Company's partners, licensees and subcontractors, over whom the Company exercises little or no control. The Company cannot ensure that its current insurance coverage is sufficient to protect it against such proceedings. If the Company, its partners, licensees and subcontractors were found liable in a proceeding and were unable to obtain and maintain an appropriate insurance coverage at an acceptable price, or to protect themselves by whatever means, it could seriously affect the sale of the Company's products. The Company could be the subject of civil or penal proceedings that would damage its image. The Company has taken out several insurance policies for limiting these risks, as described in Section 1.9.11.

1.9.7.3. RISKS ASSOCIATED WITH THE COMPANY FAILING TO HONOR ITS COMMITMENTS TO THIRD PARTIES

The Company has links with university and industrial partners via research, industrial development or production agreements. These agreements may contain penalties that are applicable in certain circumstances. If the Company does not achieve all or some of the objectives set out in these agreements, or if it has to halt continuation of the contract, these agreements may be terminated and the Company could have to pay penalties to these third parties, which could have consequences on the financial situation of the Company.

In order to limit this risk, the operational elements of these clauses are incorporated as objectives in the planning of the Company's research and development programs. In addition, the contract review mechanism, which involves the Company's legal department and when necessary specialist consulting firms, is also designed to limit as far as possible the application of penalties associated with uncontrolled situations. The Company endeavors to incorporate validation steps in the implementation of the contracts, following which the Company can decide, without any penalty, not to continue the contract. Moreover, it should be remembered that, if the Company is liable because it has caused damage to a third party during or because of its business, the Company has taken out

third-party liability insurance as indicated in section 1.9.11 of this Reference document.

1.9.7.4. RISKS ASSOCIATED WITH NON-COMPETITION CLAUSES AND OTHER RIGHTS AND LICENSES IN PARTNERSHIPS WITH THIRD PARTIES

Although the Company aims to include non-competition clauses in its collaboration, research and license agreements, these restrictions may not provide sufficient protection. The Company's partners might pursue alternative and competitive technologies, either alone or in collaboration with others.

The Company's rights under existing collaboration, research and license agreements could expire or be terminated at critical periods. In addition, the Company may be unable to obtain licenses for other rights that it might need. If the Company is unable to obtain or maintain such rights or licenses, it might have to find other alternatives or develop the relevant products by itself to avoid infringing the patents or technologies belonging to third parties. These alternatives may not exist or may significantly increase the Company's costs and delay its product development.

1.9.8. Risks associated with intellectual property

The Company's intellectual property (including simply confidential information and know-how) is its most valuable asset and the Company is exposed to risks arising from an inability to protect it, inadequate protection or infringement of its rights by third parties. Conversely, the Company's development could be limited, or become more expensive, because of third-party intellectual property rights.

1.9.8.1. RISKS RELATED TO UNCERTAINTY IN PROTECTING THE COMPANY'S PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

It is important for the Company' success that it and its licensors and licensees be in a position to obtain, maintain and enforce patents and intellectual property rights in Europe, the United States and other countries. It is possible that:

- The Company might not develop new patentable inventions;
- Patents for which applications are pending, including important patents in certain jurisdictions, may not be issued;
- Patents granted or licensed to the Company or its partners may be challenged, or held invalid or unenforceable;
- The scope of any patent protection may be insufficient to protect the Company from competitors;
- Third parties may claim rights on patents or other intellectual property rights that the Company owns or licenses.

Issuing a patent does not guarantee its validity or enforceability and third parties may challenge these two aspects. The issuance and enforceability of a patent in the field of biotechnology are highly uncertain and raise complex legal and scientific issues. So far, no uniform worldwide policy has emerged concerning the content of patents granted in the field of biotechnology and the scope of allowable claims. Litigation may be necessary to enforce the Company's intellectual property rights, to protect the Company's trade secrets or determine the validity and scope of the Company's intellectual property rights. Any dispute could result in considerable expenses, reduce the Company's profits and fail to offer it adequate protection. Competitors might successfully dispute patents issued or licensed to the Company in court or other proceedings, which could result in reducing the scope of the Company's patents. Moreover, such patents may be infringed or successfully circumvented through design innovations.

Some of the Company's patents and patent applications are jointly owned with the Company's partners. In many countries, both owners have full rights under a jointly-owned patent. In the absence of a specific agreement, the Company's partners may use such jointly-owned patents to compete with the Company or to grant a license to the Company's competitors. In addition, co-owners may not cooperate with the Company in order to enforce or to defend a jointly-owned patent for right protection purposes.

These risks are even more relevant for the Company due to its limited financial and human resources. In order to

mitigate this risk, the Company has a department dedicated to managing intellectual property which uses specialist consultants when this is considered necessary.

1.9.8.2. SPECIFIC RISKS RELATED TO PATENTS AND INTELLECTUAL PROPERTY RIGHTS OWNED BY THIRD PARTIES

The expansion of the biotechnology industry and the growing number of patents issued increase the risk that third parties may consider that the Company's products or technologies are infringing their intellectual property rights. In general, patent applications are not published until 18 months after the date of priority applications. In the United States, some patent applications are not published before the patent itself. And, also in the United States, patents can be awarded on the basis of their invention date, which does not always result in a patent being issued to the party who was filed their application first. Discoveries are sometimes published or patented months, often even years, later. The Company cannot be sure that third parties have not been the first to invent products or to file patent applications related to inventions also covered by its pending patent applications or those of its partners. In such instances, the Company might need to obtain licenses to patents from those third parties (licenses which may not be obtained under reasonable terms, if at all), or cease the production and sale of certain products or develop alternative technologies.

Any litigation or claim against the Company, whatever its outcome, could result in substantial costs and could compromise the Company's reputation. Some of the Company's competitors with greater resources may be in a better position for dealing with the costs of complex litigation. Any dispute of this type could severely affect the Company's ability to continue its operations. Specifically, intellectual property litigation could force the Company to:

- Cease selling or using any of its products that are involved in the disputed intellectual property, which would reduce its revenues;
- Obtain a license from the owner of the intellectual property rights, which may not be obtainable on reasonable terms, if at all.

In order to limit this risk, our Intellectual Property department carries out a continuous, active intellectual property watch.

1.9.8.3. RISKS RELATED TO THE COMPANY'S INABILITY TO PROTECT THE CONFIDENTIALITY OF ITS INFORMATION AND KNOW-HOW

From time to time, the Company provides information and materials to researchers in university institutions or other public or private entities and requests that they conduct certain tests, or provides information to potential partners. In both cases, the Company relies on confidentiality agreements. The Company's business also depends on its own non-patented technologies, processes, know-how and data that it considers as trade secrets and that it protects in part through confidentiality agreements with its employees, consultants and certain sub-contractors. It is possible that these agreements or trade secret protection measures may not ensure sufficient protection or may be breached, or that the Company might not have adequate solutions for dealing with breach issues, or that the Company's trade secrets may be disclosed to its competitors or developed independently by them.

The development and implementation of several forms of confidentiality agreements aims to mitigate this risk.

Moreover, the Company's collaborators have a duty of confidentiality with regard to the information to which they have access within the scope of their duties during and after the term of their contract, as described in the Code of Ethics to which all permanent or temporary staff are subject.

1.9.8.4. RISKS RELATED TO THE USE OF THE COMPANY'S TRADEMARKS BY THIRD PARTIES

The Company's trademarks are an important component of its identity and its products. Even though the main components of the Company's trademark 'Innate Pharma' and 'Lumoxiti' have been filed in France and in Europe and are registered in the United States, other companies in the pharmaceutical sector could use or try to use components of this trademark, and create confusion in third parties' minds (see section 1.5.2 of this Reference document).

The Company may then have to redesign or rename its products in order to avoid confusing third parties, which could prove impossible, or costly in terms of time and financial resources, and therefore be detrimental to its marketing efforts.

The registration and maintenance of the Company's brands and the ongoing monitoring of the same through its intellectual property Department aim to mitigate these risks.

1.9.9. Risks related to security, hygiene, technical operations and the environment

In connection with its activities, the Company uses hazardous products and materials that are subject to specific regulation. The Company could be held liable, could have to pay fines, or implement costly procedures if it did not comply with this regulation or if its employees or people on its premises had an accident. Moreover, the location of the Company's laboratories means that it is exposed to the risk of forest fire.

1.9.9.1. Risks associated with the Company carrying out its activities

Due to its research and development activities, the Company is exposed to chemical, biological and radiological risks and therefore imposes preventive and protective measures for the protection of its workforce and waste control management in accordance with applicable laws, including part four of the French Labor Code, relating to occupational health and safety.

A health, safety and work conditions committee was formed in February 2007. This committee establishes the annual program for preventing risks, analyses incidents and accidents that occur and decides which corrective and preventive actions are to be implemented.

Due to the general obligation of safety borne by the employer, it must assess any risks and take all necessary measures to ensure the safety and protect the health of its employees. In accordance with articles L. 4121-1 to 3 and R. 4121-1 and 2 of the Labor code, the Company has drawn up and maintains an up-to-date single assessment document for occupational risk which lists all health and safety risks for the Company's personnel.

A guide listing the health and safety recommendations and personal protection equipment has been introduced and distributed to all personnel.

Work position sheets, which identify hazards and define first aid measures, have been drawn up for all main work positions presenting a risk.

Regarding facilities, due to the nature of the Company's business it does not have any so-called 'classified' facilities. The use of radioactive elements requires a permit, which has been granted by the *Autorité de Sureté Nucléaire* ("ASN") for nuclear activities for non-medical purposes in accordance with article L.1333-4 of the French public health code and article 3 of French Act No. 2006-686 dated June 23, 2006, relating to openness and safety in nuclear matters. These installations are inspected annually by an approved organization.

Pressurized equipment is subject to the Prefectoral decree dated March 15, 2000.

Lastly, heat pump facilities are subject to the French environmental code, book V, title 1, article R 512-47.

The Company's research and development programs and preclinical tests make use of hazardous materials and biological materials, particularly radio-labeled molecules, solvents and other potentially genotoxic chemicals. For the latter, the Company meets the requirements for prevention of CMR (carcinogenic, mutagenic, reprotoxic) risks in accordance with decree No. 2001-97 dated February 1st, 2001. The Company also handles genetically recombined material, genetically modified species and pathologenous biological samples. Consequently, in France and in the jurisdictions where the Company conducts clinical trials, it is subject to environment and safety laws and regulations governing the use, storage, handling, discharge and disposal of hazardous materials, including chemical and biological products and radioactive materials. In France, the Company is required to comply with a number of national, regional and local legislative or regulatory provisions regarding radiation and hazardous materials, including specific regulations regarding the use, handling and storage of radioactive materials and the potential exposure of employees to hazardous materials and radiation. The Company must also comply with decree No. 93-773 dated March 27, 1993, and the order dated December 27, 1994 concerning the use and handling of genetically modified organisms (GMOs) in confined spaces. The Company complies with these regulations.

Regarding the environment, and waste management in particular, the Company currently complies, to the greatest extent possible, with the French environmental code. For example, biological and chemical waste removal and processing is assigned to a specialist company, with which the Company has an annual contract, which can be renewed with a simple amendment.

If the Company does not comply with applicable regulations, it could be subject to fines and even might have to suspend all or part of its operations. Compliance with environmental, health and safety regulations involves additional costs, and the Company may have to incur

significant costs to comply with future laws and regulations in relevant jurisdictions. Compliance with environmental laws and regulations could require the Company to purchase equipment, modify facilities and undertake considerable expenses. The Company could be liable for any inadvertent contamination, injury or damage, which could negatively affect its business, although it has subscribed to an insurance policy covering certain risks inherent to its business.

1.9.9.2. RISKS ASSOCIATED WITH A DISASTER

A disaster, such as a fire in the Company's premises, which could originate internally or externally in view of its location in a wooded area, could also have a significant effect on the Company's installations and consequently its business. Also, in September 2016, a forest fire came close to the Company's premises and its staff had to stay inside. According to the extent of the disaster, there could be development delays of varying lengths, right up to suspension of the Company's operations. To date, no such disaster has affected the Company's facilities. In order to prevent the risk of fire, fire prevention measures have been put in place, such as clearing the brush in the surrounding green spaces, inspection of the Company's electrical installations by an approved body, and the implementation of a maintenance plan for the fire-fighting equipment. Moreover, computer data saving and archiving measures have been put in place and provide for storage of regularly-saved data on the premises of a specialist service provider. In addition, the rare biological material that the Company uses has been identified, duplicated and kept on other sites, with specialist service providers.

1.9.10. Financial Risks

In addition to the above-described risks related to expected future losses and to the financing of the Company's activities, the main financial risks include the following:

1.9.10.1. RISKS RELATED TO FINANCIAL ASSETS

The Company's exposure to this type of risk is mainly related to two elements of the balance sheet: cash and cash equivalents and financial assets (current and non-current). These are the Company's main tangible assets given the nature of the business. These assets comprise current accounts, savings accounts, fixed term accounts and mutual fund shares shared out and a bond portfolio among several first tier banks, which allows the Company to spread the risk inherent in any given financial institution. Interest rate variations have a direct impact on the Company's cash and, therefore, on financial income (see Notes 1 and 4 to the Consolidated Accounts for the fiscal year ended December 31, 2018, that are in section 3.3 of this Reference document). The Company's policy in terms of cash investments is to favor a minimum level of risk on capital. This policy is described in the appendices of the Consolidated Accounts for the fiscal year ended on December 31, 2018 (included in section 3.3 Notes 1 and 4 of this Reference document).

The following table shows the sensitivity of the Company's financial assets to a variation of 50 base points in the interest rate during the fiscal years ending December 31, 2017 and 2018 (in millions of euros):

	As of December 31,	
	2018	2017
Average balance of cash, cash equivalents and current financial assets	141.8	156.9
Interest income with 50 base points	0.7	0.8
Interest expense with 50 base points	0.7	0.8

Considering the lack of maturity (short liquidation timeframe) and capital guarantees related to the Company's financial instruments used to invest its cash surplus, the impact on the sensitivity of group's equity by way of these instruments is minor.

1.9.10.2. EXCHANGE RATE RISK

The Company is exposed to foreign exchange risk inherent in certain subcontracting activities relating to its operations in the United States, which have been invoiced in U.S. dollars. As the Company further increases its business, particularly in the United States, it is expected to face greater exposure to exchange rate risk.

In order to cover this risk, the Company kept in U.S. dollars a part of the $250 million upfront payment received from AstraZeneca in June 2015 corresponding to the expected expenses in U.S. dollars in the short/midterm.

Our policy does not include the use of hedging instruments.

1.9.10.3. INTEREST RATE

The Company has very low exposure to interest rate risk. Such exposure primarily involves money market funds and time deposit accounts. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated. The Company has no credit facilities. The repayment flows of the advances from Bpifrance and of bank loans are not subject to interest rate risk (advances with 0% interest rate and fixed-rate loans).

1.9.10.4. LIQUIDITY RISK

The Company does not believe that it is exposed to short-term liquidity risk, considering the cash, cash equivalents and short term investments that it had available as of December 31, 2018, amounting to €167.5 million, which was primarily cash and money market funds and term deposits that are convertible into cash immediately without penalty. Management believes that the amount of cash, cash equivalents and short term investments available is sufficient to fund the Company's planned operations through the next twelve months.

1.9.10.5. VOLATILITY RISKS WITH RESPECT TO THE COMPANY'S SHARE PRICE

It is likely that the price of the Company's shares would be significantly affected by events such as changes in its financial results, changes in market conditions related to its sector of activity, announcements of new contracts, technological innovations and collaborations by the Company or its main competitors, developments concerning intellectual property rights (including patents), announcements regarding products currently being developed by the Company or its main competitors, the obtention of required approvals from regulatory authorizations as well as the development, launching and sale of new products by the Company or its main competitors.

Furthermore, the stock-markets have seen considerable changes in value over the last few years, and in most cases, these changes do not reflect the operational and financial performance of the listed companies. In particular, biotechnology companies' share price is highly volatile and may continue to be highly volatile in the future. Fluctuations in the stock-market as well as the macro-economic environment could significantly affect the price of the Company's shares.

1.9.10.6. RISK OF DILUTION

Since the Company's creation, it has regularly allocated or issued stock-options, warrants and free shares to motivate its managers, employees and consultants. In early 2015, the Company increased the capital share available to members of its company savings plan. In the future, the Company could offer other securities providing access to its share capital.

As of the date of this Reference document, the exercise of all of the financial instruments giving access to share capital, would allow the subscription of 5,055,950 new shares, which represents around 7.33% of the diluted share capital (see Section 4.1.5 of this Reference document). The exercise of financial instruments giving access to the share capital in circulation as well as all allocations or new issuances would lead to a significant dilution for the shareholders.

1.9.10.7. CREDIT RISK

Credit risks mainly lie with research tax credit receivable, customer accounts receivable, and cash & cash equivalents. As for research tax relief, the risk of debt recovery is not considered as significant with respect to receivables from the French government. As for customer accounts receivable, the Group has significant receivables with regard to AstraZeneca as of December 31, 2018 following the agreements signed in October 2018. These receivables were recovered in January 2019.. Concerning risks related to cash, cash equivalents and routine financial instruments, the Company has little exposure with respect to the co-contracting financial institutes whose ratings ascribed by the main credit rating agencies are at least rated A- (Standard & Poors).

1.9.10.8. RISKS RELATED TO FRAUD, TO PREPARING FINANCIAL STATEMENTS AND PRODUCING FINANCIAL AND STRATEGIC DATA

These risks, which can stem from various types of malfunctions resulting from the accounting and financial processes themselves (whether intentional (fraud) or accidental), could lead the Company to provide an incorrect overview of its accounting and financial situation as regards its key audiences such as pharmaceutical companies, regulatory authorities, administrative departments, and the financial markets.

It believes that the Company's organization in terms of internal control, is well formalized and is adapted to the Company's current situation and allow this type of risk to be faced considering that it takes into account the revision of the six-monthly and yearly accounts by a chartered accountant and their validation by the statutory auditors. The fact that there are internal regulations and an ethics code submitted to all personnel, also helps in limiting this risk.

1.9.11. Insurance and Risk Coverage

The Company's internal procedures in terms of risk prevention and safeguarding as well as the insurance policies that it has subscribed to are considered as acceptable guarantees regarding the main risks which have been identified.

In terms of internal procedures, the Company has set up a macro-risk map, which is reviewed periodically. This firstly enables potential risks to be identified and their likelihood of occurrence to be assessed, and secondly, it enables control actions to be identified and their effectiveness to be assessed. The adequacy of the risks and the control actions is used to determine a residual risk level. An internal audit program and an action plan can thus be defined and implemented if necessary.

The internal control mechanism and the quality system are also essential tools that contribute to risk management.

The Company has implemented a coverage policy for the main insurable risks that it considers compatible with its cash flow requirements. The total of premiums paid for all insurance policies amounted to €169 thousand and €173 thousand for the fiscal years ending December 31, 2017 and 2018, respectively. Due to the specificity of the Company's business – focused on research at this stage – and to the innovative nature of its approach, the quantification of any risks in the absence of any direct damage rate or damage indicators in its field of study, makes it difficult to determine a guarantee amount, especially in terms of civil liability but the Company feels that the insurance policies mentioned below adequately cover the risks that are inherent to its activities and those of its subsidiaries, and that its policy in terms of insurance in consistent with practice in its business sector. The Company does not foresee any particular difficulties to maintain suitable levels of insurance in the future that are adapted within the limits of market conditions and capacities, on the condition that there are no major accidents. Insurance policies are taken out with companies

that have a good financial score and are selected for their ability to monitor the Company's development. The Company feels that its insurance coverage and the limits of the latter are reasonable and cautionary due to its activities and related risks.

The Company subscribed to several insurance policies, including the following:

- a "damages to belongings and loss of profits" which covers risks of fire, explosion, lightning, electric damages, computer risks, cold-storage product loss, theft, equipment failure, and all damages other than those described and not excluded from its premises in Marseille, with a maximum benefit of €19.9 million;
- a "business civil liability" insurance policy which on the one hand covers the risks related to operations – for a guaranteed amount of €8 million per accident with a sub-limit of €3 million per accident for property and consequential damage caused to third parties – and, on the other hand, professional civil liability risks with a covered amount of €1 million per year of insurance, as well as liability risks arising from products for a guaranteed amount of €10 million per year of insurance. The business civil liability insurance program has been revised to take into account the evolutions of the Company's activity;
- an "inventory and transit" policy which covers risks related to transporting and storing products with a maximum guaranteed total amount of €30 million for all storage sites named in the policy, and a maximum guaranteed amount of €2 million per shipment, accident or event for all the sites together. This policy has been adapted to the scope of the updated insured values of 2018.

However, the Company has implemented safety procedures for its original biological materials and its computer data, which provides suitable protection for its primary assets.

The Company's liability resulting from clinical trials is covered by specific agreements, the price and guaranteed amounts of which depend on the local regulations applicable in the jurisdiction where the clinical examination is located; for example, in France the "*Code de la Santé Publique*" (*Public Health Code*) specifies obligatory insurance for clinical trial promoters and the terms of such insurance. The overall amount of the premium and guarantees subscribed for the trials therefore depends on the number of trials, their location and the number of patients involved in the trial.

The Company has also subscribed to a directors and officers liability insurance regarding the execution of their duties, with a total annual maximum guarantee of €15.0 million.

The Company cannot guarantee that it will always be able to maintain or obtain similar insurance coverage at an acceptable price, which could lead it to accept more expensive insurance policies and to assume a higher level of risk, particularly as its business develops. Moreover, one or more significant accidents, even if they are covered by such insurance policies, could seriously affect the Company's business and its financial situation if the accident interrupts its business activities, if there are delays in receiving reimbursements from its insurers, if the policy limits are exceeded, and if premium increases could result from the accident.

The materialization of one or more of these risks could have a material adverse effect on the Company's business, prospects, financial situation, results and development.

Taking into account the outlook of the Company, and especially given that the Company could be in a position to conduct a greater number of clinical trials going forward, the Company believes that its insurance premiums will continue to rise while remaining insignificant in comparison with the amount of its research and development spend, its annual losses and the value of its assets.

1.10. DECLARATION OF EXTRA-FINANCIAL PERFORMANCE – CORPORATE SOCIAL RESPONSIBILITY REPORT OF THE COMPANY

For almost 20 years, Innate Pharma develops first-in-class therapeutic antibodies to improve cancer treatment and clinical outcomes for patients. Due to its research and development activities in the fight against cancer, Innate Pharma's has always had a strong commitment to the society.

Innate Pharma is below the thresholds and is therefore not subject to the reporting requirements of the extra-financial performance report. Nevertheless, Innate Pharma is committed to communicate toward its stakeholders with transparency, precision and relevance. Elements presented below are intended to provide information on the

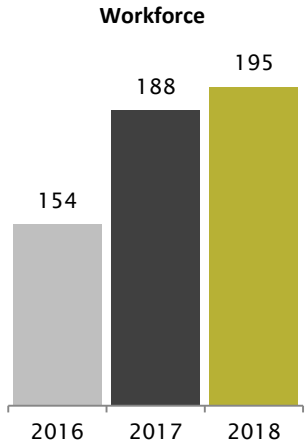
Company's social, environmental and societal issues which are consistent with its activities and necessary to understand its evolution. It should be noted that the information in this chapter only concern Innate Pharma SA, not its subsidiary[4], for the period from January 1st to December 31st 2018.

All relevant indicators for the Company are presented in a summary table at the end of this chapter.

[4] The CSR reporting applies to Innate Pharma SA, which has interests in one company: Innate Pharma, Inc., a wholly owned company incorporated under American law, the purpose of which is to represent the Company in the United States. This subsidiary is currently dormant. This subsidiary is not included in the scope of this procedure.

1.10.1. Social responsibility

In October 2018, Innate Pharma signed a multi-term agreement with AstraZeneca including the acquisition of a commercial product: Lumoxiti. Innate Pharma is becoming a commercial biopharmaceutical company and aims to become a world leader in the field of immuno-oncology. As such, Innate Pharma's Human Resources strategy is a major lever to support this transformation and respond to the challenges it faces in a highly competitive sector. Due to its sector of activity requiring the use of specific skills and specialties, Innate Pharma's staff is considered its main resource. Innate Pharma therefore pays particular attention to the issues of social responsibility and identifies as a major axis of development its ability to attract, retain and motivate its employees.



1.10.1.1. WORKFORCE AND EMPLOYMENT

	2018	2017	2016
Workforce[5]	195	188	154
Permanent contracts	96%	96%	94%
Managers	65%	65%	66%
Women	69%	66%	65%
Average age	38	36	36
Staff aged 45 years or older	23%	19%	19%
Holder of a PhD	29%	27%	30%

Average age
38 years old

R&D Population
79%

Innate Pharma's increased activities (increase in the number of drug-candidates, clinical trials, pharmaceutical operations activities etc.), explain the workforce growth. At December 31, 2018, the Company's workforce was 195 employees. In 2019, it is the preparation for the integration of a commercial activity that will drive the growth of the workforce.

1.10.1.2. TALENTS ATTRACTION AND RETENTION

[5] Calculated based on permanent contracts only.

Challenge

The employees are responsible for the know-how and scientific excellence at Innate Pharma. Attractiveness and retention of talent are major challenges in maintaining key competencies within the Company, thereby guaranteeing its competitiveness and degree of innovation.

In addition, with an average age of 38, Innate Pharma strives to support its employees in their professional development and career path.

Approach

In order to ensure the recruitment of profiles in line with its strategy, Innate Pharma regularly assesses the need for skills according to its strategic orientations and the development needs of its employees, both technically and in terms of managerial and leadership skills.

Innate Pharma is committed to attracting and retaining its talent based on the scientific, medical and human business project and associating an attractive remuneration policy with professional development and the internal mobility of its employees.

Achievements of the year

In 2018, the Marseille Immunopole cluster set up, with Innate Pharma, as well as with HalioDX and Imcheck Therapeutics, the MIjobs recruitment platform, allowing the display of job offers on a common job board and setting up a shared CV library. Innate Pharma is thus taking advantage of the international resonance of Marseille Immunopole to expand the number of applications received and their adequacy to the profiles sought.

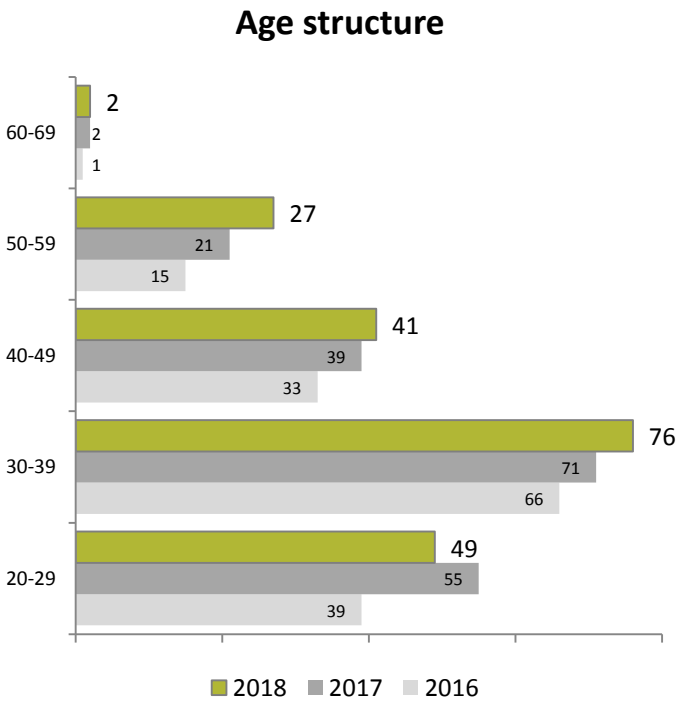
In 2018, there is an increase in enrollment in the age group 50-59, which started in 2017, and corresponds to the arrival of senior profiles with skills and experiences that were not previously within Innate. The stability of management over 3 years (2016, 2017, 2018) shows that this trend to recruit more senior profiles takes place throughout the organization.

Innate Pharma is listening to the evolution wishes of its employees and implemented individual development tracks in 2017, strengthened in 2018. These individual development tracks have been designed along three lines: team management, project management and technical and scientific expertise. On this occasion, new positions and new professions were created.

Reassignment and internal mobility are managed by the HR Department, together with management. They enable employees to expand their areas of activity and to develop new skills. In 2018, managerial skills development programs have been put in place. A first session took place in November 2018. Other sessions are scheduled for 2019.

The format of the mid-year interviews has been reviewed. They include a paragraph on career development so as to identify as soon as possible employees' career development wishes and their relevance to the needs of the Company and to facilitate their implementation through personalized development plans. The mid-year interviews also now contain a part on the quality of life at work which allows employees to gather feedback on the adequacy between their workload and the resources allocated to them.

In 2018, a talent review took place. It allowed the identification of talents and put in place with the management the development plans allowing them to succeed in their progression.



1.10.1.3. COMPENSATION

	2018	2017	2016
Average compensation (average annual gross compensation, including bonuses, including Executive Committee)	€64,370	€60,180	€57,392
Percentage annual collective increase	1.24%	1.50%	1.50%

Challenge

The challenge of remuneration for Innate Pharma is internal equity, the positioning in relation to the reference markets and the sharing of the value created by the company among all employees in relation to the attractiveness and the loyalty of its talents.

Approach

Thus, Innate associates in the remuneration structure for each employee: an equitable base salary (based on the study of market data and internal data) according to the level of responsibility and a collective annual bonus to share the company's results.

Achievements of the year

In 2018 the collective bonus amounted to 105% of a month's salary. The signing of the agreement with AstraZeneca in 2018 resulted in the payment to all employees of half a month of additional salary.

In addition, all employees are associated with the company's long-term performance through regular employee share ownership plans. A long-term incentive plan was rolled out in 2018 in the form of the distribution of bonus shares subject to the attendance of all employees.

1.10.1.4. WORKING CONDITIONS

	2018	2017	2016
Organization of working time			
Percentage of part-time employees	11%	13%	12%
Absenteeism			
Absenteeism rate	1.9%	1.6%	2.1%

Challenge

Responding to the needs expressed by its employees to enable them to benefit from an environment and working conditions that enable their professional and personal growth is a major commitment of Innate Pharma in line with its strategy of retention of talents.

Approach

In an effort to constantly improve working conditions and conscious of the willingness of employees to benefit from greater flexibility in their organization, Innate Pharma has signed an amendment to the agreement on the organization of working time on 4 September 2018.

The new provisions are intended to:

- Reconcile favorable working conditions and the development of the activity
- Ensure a better balance between personal and professional life
- Improve the organization of work within the company, notably by offering more flexibility (this being done in the context of a relationship of trust between the manager and the employee)
- Preserve, develop and adapt the employment of staff to the requirements of Innate Pharma's activities

The use of teleworking is encouraged. It brings flexibility and well-being to the employees: reduced professional commuting and stress, possibility of isolating oneself to work, better articulation with personal life.

The mechanisms already in place within the Company, such as the Time Savings Account, the recovery of working time (RTT), the redemption of RTT, the savings under Article 83 retirement contract, the possibility of making occasional teleworking or permanent on a fixed day, remain unchanged.

In addition, as part of the Company's development, management and employee representatives also reflected on the optimum annual duration of employees' work. It

was then agreed to conclude, for employees in category 8 and beyond the collective agreement, excluding executive officers, an individual flat-rate agreement applicable from 1 January 2019.

Lastly, particular attention was paid to the right to disconnection by raising awareness among all employees at information meetings presenting the amendment to the agreement on the organization of working time. The new agreement includes a paragraph on the disconnection obligation.

The Company is committed to providing staff with functional workspaces and creating the most enjoyable work environment possible. Following the increase in staff numbers and since the end of September 2017, the Company's staff is now based on two sites in Marseille.

The main building, headquarter of the company, is located in "Luminy". It mainly houses research activities. The Company also rents offices in a building located in the city center, "Le Virage". These premises are occupied by General Management and tertiary activities (administrative services and non-clinical development and clinical development departments). Since 2018, a research team has been housed at La Timone hospital.

Achievements of the year

The Company has made various adjustments to improve working conditions on the various sites:

- Improvement of the heating system of the Luminy building
- New slice of building insulation reinforcement in Luminy
- Improvement of the acoustics of two meeting rooms at Le Virage building
- Development of laboratories for the team housed at La Timone Hospital

1.10.1.5. SOCIAL DIALOGUE

Challenge

The social dialogue is a major lever for Innate Pharma and the Employee Representative Institutions are the link between the Management and the employees. They provide a respective understanding of both the action plans implemented in the company and the needs and expectations of employees.

Approach

Employee relations are centered on the Employee Representative Institutions elected in 2017: Works Committee, Staff Representatives, Health Safety and Working Conditions Committee, trade unions and employer organizations.

Meetings of the Works Committee, the Staff Representatives and the Health, Safety and Working Conditions Committee are held regularly, in accordance with the legal conditions. The minutes are distributed as they are produced to the staff and to the various bodies (Labor Inspectorate, Occupational Medicine, etc.). As needed, extraordinary meetings are convened.

Members of Employee Representative Institutions are integrated into several working groups. In 2018, for example, they participated in the working group on working time flexibility. The representatives are regularly informed of changes in the processes and major changes in the strategy and organization of the company. This allows them to discuss with management the consequences of these changes and to share their suggestions.

Achievements of the year

The Mandatory Annual Negotiations were conducted on the basis of a plan developed in consultation between the Management and the Trade Union Organizations in 2017 around a Quality of Life at Work or "Great Place to Work" theme.

- Remuneration and sharing of added value

Throughout the year, the Management discussed with the Union Delegates the internal practices and references used in terms of remuneration as well as the evolution of the policy on the allocation of capital participation tools. Thus, the principle of paying an exceptional bonus linked to the signing of a new structuring partnership for the company with AstraZeneca was discussed with the Trade Union Delegates. Following the decision of the Supervisory Board, a bonus equivalent to half of the collective bonus, ie 55% of one month's salary was paid to the staff in December 2018.

A general collective wage increase was applied in January 2018 amounting to 1.24% (equivalent to the increase in the SMIC.

- Work time

A new agreement on the organization of working time was signed on September 4, 2018. Its main purpose is to endorse the flexibility in the organization of working hours as well as the easing of the conditions for RTT and use of the Time Savings Account.

As part of the development of this addendum, other elements were negotiated and integrated, such as the right to disconnect and compensation for trips taking place on weekends, holidays or days not worked.

- Professional Equality between Women and Men – Disability

The analysis of the situation of Men and Women and the Disability Action Plan proposed by the Hand'Innate team were shared with the members of the Works Committee and the Trade Union Delegates on the occasion of the Mandatory Annual Consultation of the Works Committee on company's social policy, working conditions and employment.

- Social protection

On the occasion of the acquisition by AG2R La Mondiale, on 1 January 2019, of the existing provident agreement with Reunica, the guarantees were improved without the contribution rate being increased.

Works of the Works Committee

The Company and the Works Committee pay particular attention to the internal life of the Company. The Works Council offers employees numerous benefits such as holiday vouchers, culture tickets, gift certificates for family events, and the provision of a social account. In 2018, the Works Committee organized cultural outings (theater). He also contributed, on the basis of a flat rate and on presentation of supporting documents, to the cultural and sports activities of the staff. Lastly, the Works Committee organizes several annual events to facilitate the integration of new employees and group cohesion. Trainees present in the Company also benefit from the benefits of the Works Council.

1.10.1.6. HEALTH AND SAFETY

	2018	2017	2016
Number of workplace accidents with absence from work	2	5	3
Frequency rate of workplace accidents with absence from work	6.55	17.77	14.12
Severity rate of workplace accidents	0.01	0.18	0.44
Number of occupational illnesses	0	0	0

Challenge

Given the Company's field of activity, the safety of laboratory staff is at the center of health and safety concerns. Indeed, the research and development of therapeutic antibodies requires the manipulation of dangerous biological and chemical agents whose exposure of staff must be controlled and limited as much as possible. In addition, these activities operate within a strict regulatory framework to which the Company complies.

Approach

Management has delegated a Health & Safety team that maintains updated a risk analysis at the various workstations to identify and implement all control actions aimed at limiting exposure to hazardous substances and preventing the occurrence of incidents and accidents. At the regulatory level, the Company carries out a permanent regulatory watch, met the mandatory notification requirements for its installations and has the relevant approvals for carrying out its activities. The installations undergo technical inspections and checks in accordance with the applicable regulation. The staff has the necessary accreditations and training to use the equipment and do so in accordance with Health and Safety.

Achievements of the year

The annual risk prevention program, established on the basis of risk analysis and regulatory requirements, was followed-up on during the Health, Safety and Working Conditions Committee quarterly meetings. The occupational health physician attended to every meeting. The minutes of each meeting are distributed to the entire workforce, the occupational health physician and the health and safety inspection.

The Health and Safety team implemented the annual risk prevention program (84.6% completed). All regulatory and required actions have been achieved; only additional improvement actions at the Company's initiative could not be entirely achieved. All partly completed actions or those actions not yet carried out will be carried forward to the 2019 annual risk prevention program. The 20187 Health and Safety training plan was 50.0% completed.

Incidents and accidents that occurred during 2018 were analyzed both when they were recorded and during meetings of the Occupational Health & Safety Committee,

and the necessary corrective and preventive actions were defined and implemented.

1.10.1.7. TRAINING

	2018	2017	2016
Total number of hours of training (hours realized)	2,226[6]	2,974	3,698
Average number of hours of training per employee per year	11.5	16.8	27.6
Percentage of staff that received training	91%	85%	103%[7]

[6] Since 2018, the training plan has been rolled out over two years (from June 2018 to May 2019). The number indicated here is stopped at 31/12/2018 and does not take into account the training hours that will be delivered in 2019 but integrated into the 2018/2019 plan.

[7] The 2016 rate is higher than 100% because the rate of staff who benefited from training actions is calculated on the average workforce.

Challenge

The growth and development of Innate Pharma continued in 2018. The company faces increased know-how and adaptability. The 2018 training plan is built taking into account the annual objectives and strategic orientations defined for the next years of Innate Pharma.

Approach

The 2018 training plan was built on the needs identified during the annual interviews. The novelty, this year, was to prioritize actions by reconciling the needs of the company and the personal development plan of employees, while allowing everyone to benefit from training actions.

A working group was set up in 2018 to improve the existing process with:

- A rise in the training needs expressed during the mid-year interview
- The constitution of a training plan and a rolling out of the validated plan for 2018/2019

This evolution will allow the lightening of the Annual Year-End Interview process, as well as the possibility of evoking the need for much more qualitative training.

Also in the areas of improvement, the decision to create a commission for approval of applications for diploma, qualifying, certifying and VAE training was taken in consultation with the Staff Representatives. The commission has been effective since the beginning of 2019. The objective of this commission is to treat, separately from the plan, these training requests with a dedicated budget envelope.

Achievements of the year

Innate Pharma has renewed a number of training courses that are part of a multi-year plan and, according to the lines defined by the branch. These training courses aim to reinforce the skills and thus allow the employees a better control of the occupation and its evolution:

- Economic and regulatory context of the sector
- Ethics, ethics, compliance
- Scientific and professional techniques necessary for the mastery of the profession and its evolution
- Hygiene, safety, environment, quality, health at work
- Management
- Language learning

Innate Pharma has defined career tracks around three paths:

- Hierarchical management
- Project management
- Technical expertise

Concerning these courses for 2018 the following works were carried out:

- Adaptation of courses according to the evolution of the organization
- Preparation of changes according to the courses through training actions and / or specific developments

In 2018, the company also continued to support development actions or personal projects. She has also participated financially in qualifying and diploma courses.

1.10.1.8. EQUAL TREATMENT

	2018	2017	2016
Measures to support gender equality			
Percentage of women in management[8]	61%	66%	59%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	2.6%	1.6%	1.3%

1.10.1.8.1. Measures taken to support equal treatment for women and men

[8] The rate includes women who have management responsibility (at the level of a team, an activity or a budget) in relation to the management workforce.

Challenge and Approach

Innate Pharma is committed to applying the principle of non-discrimination in its recruitments. This principle seeks to ensure equal treatment between individuals irrespective of nationality, gender, race or ethnic origin, religion or belief, disability, sexual orientation or age. The Company is committed to youth employment, the employment of people with disabilities, the continued employment of older workers and equal treatment of women and men.

Innate Pharma strives to respect the equal treatment of men and women in terms of professional development, training, remuneration, etc.

Achievements of the year

The rate of women in management is in line with the proportion of women at Innate Pharma. The Company does not discriminate its employees in their career paths. Thus, in 2019, two women were promoted to the executive committee of the Company, thereby increasing the representation of women in governance bodies.

1.10.1.8.2. Measures taken to support the employment and integration of disabled people

Challenge

Innate Pharma has adopted a disability policy in order to maintain and preserve skills, motivate and retain employees with disabilities.

Approach

Innate Pharma has a dedicated team, Hand'Innate, to carry out this disability policy, focused mainly on awareness and communication on this topic. Engaging an effective disability policy within Innate Pharma means being consistent with the values of fairness, collaboration, commitment and respect, present within the Company.

Achievements of the year

The employment rate of workers with disabilities is on the rise in 2018, even though employment has increased further. The Company continued its recruitment efforts by using adapted companies and hosting a trainee with disabilities.

This year, the Hand'Innate team has offered collaborators various workshops aimed at raising their awareness on the theme of disability as a scenario, the exhibition of a "prejudiced tree" on disability and family caregivers. Several partnerships have been set up with adapted companies to offer employees massage sessions (with the JOAM company) or to raise their awareness of recycling (with B & P Environnement). Finally, the team animated a logo contest with handiBox handover made by ESAT.

1.10.2. Environment

Due to its activity (R&D of drug candidates), the Company considers its environmental impact to be low. Most of the research activities are carried out in its laboratories while the development activities are mostly assigned to service providers.

The Company operates within an extremely tight regulatory framework, with which it complies. The Company has obtained all the approvals required for carrying out is activities. These activities of research and development do not include either industrial production or distribution, and do not therefore use raw materials. Therefore, there are no significant releases into the environment or greenhouse gas emissions. The Company's activities do not require the use of domestic gas, but very small quantities of special gases are used.

The activities do not produce any particular noise nuisance for staff or local residents.

The offices of the Prado site are rented in a new building, certified Breeam (Building Research Establishment Environmental Assessment Method). The heating / cooling system is powered by the heat loop set up with the nearby wastewater treatment plant. It is easily accessible by public transport.

A working group, called ECO-IPH, composed of volunteer employees, was set up in the second half of 2018 to define an action plan on improving sustainable development practices and, in particular, on the protection of the environment as part of the company's CSR approach.

1.10.2.1. Sustainable Use of Resources

Annual electricity and water consumption are reported for Innate Pharma's main building (Luminy). The consumption of additional rented buildings (Prado) is monitored by the respective administrators and is not included.

	2018	2017	2016
Annual electricity consumption	1,382,188 kWh	1,374,821 kWh	1 261,520 kWh
Annual volume of water consumption	2,117 m3	2,999 m3	1,732 m3

Challenge

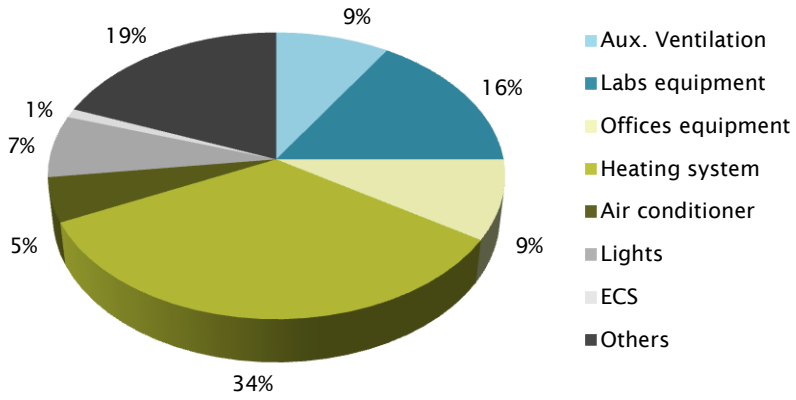
Electricity consumption is the main issue at the level of sustainable use of resources for Innate Pharma to limit its environmental impact.

Apart from domestic hot water, the water consumption of the building mainly corresponds to laboratory activities. The water released after use is a water mainly from washing machines and sinks installed in the various laboratories.

Approach

The energy balance achieved in 2016 at the Luminy site revealed that the main source of electricity consumption is at the level of the heating system:

Energy consumption



Dating back to the late 1960s, the building in which the Company operates has undergone renovations. Waterproofing, building insulation and heating systems are upgraded each year to improve the overall energy performance of the building.

Achievements of the year

Work on the heating system was completed in 2018.

The ECO-IPH working group has begun to identify areas for improvement to reduce energy waste. He plans, in a second time, to sensitize the staff on the eco-gestures, applied to their own working environment.

1.10.2.2. WASTE MANAGEMENT

	2018	2017	2016
Waste from research work	179,650 liters	204,520 liters	132,430 liters

Challenge

The Company considers waste management as essential for the preservation of the environment. From the first years of activity, it has put in place sorting and recycling solutions, which it commits to develop from year to year.

Approach

Research waste (chemical waste, biological wastes, radioisotopes) is processed by a specialized channel that ensures their removal from the production site to an incineration center.

Some laboratory consumables (such as plastic boxes containing disposable plastic tips) are recycled by specialized companies.

Waste paper and cardboard is also removed at both sites and processed by specialized companies. Coffee capsules are sorted and removed regularly.

Achievements of the year

A sorting and recycling solution for other types of waste (cans, batteries and light bulbs, electronic waste) was set up on the Prado site during the year, with an adapted company. The provider organized a staff awareness meeting on November 6, 2018, and distributed a sorting guide.

The ECO-IPH working group has set up some initiatives to reduce the production of waste (example: use of recyclable consumables for coffee machines), which it plans to develop in 2019.

1.10.2.3. ECOMOBILITY

Challenge

The Company encourages the use of modes of transportation considered less harmful to the environment than usual transportation.

Approach

Hybrid vehicles, which consume less fuel than vehicles with gasoline or diesel engines, have been part of the company fleet for several years.

The Society encourages staff to use public transportation:

- It reimburses 50% of public transport subscriptions
- It asked Aix-Marseille Provence Métropole that a stop for the High Level Service Bus, commissioned in 2018 on the line serving Luminy, is located near the company's head office.
- Finally, the use of public transport as a means of predilection is part of its travel policy

The Company also encourages the use of the bicycle to get to the workplace. To this end, it has put in place several devices:

- Reimbursement of electric bicycle rental subscriptions
- The payment of mileage allowances for the use of bicycles for commuting
- The provision of secure garages and bike parks on both sites of the company

Lastly, the Company and the Works Committee promote carpooling for trips involving collective events taking place outside the company.

Achievements of the year

Nearly 30% of staff members receive a public transport subscription rebate and 7 people requested the payment of mileage bike allowances during the year.

Staff travel conditions were specified by a note in April 2018. Staff are asked to favor public transport for travel to the airport, train station, between the two company sites or in the city center. For city center trips, only public transportation costs are reimbursed.

1.10.3. Corporate Commitments

1.10.3.1. TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITY

1.10.3.1.1. Involvement with the local ecosystem

Innate Pharma's location in the Marseille area is the result of its scientific foundations. The Company grew out of local academic research, in particular at the Marseille-Luminy Immunology Center (CIML), one of the largest immunology centers in Europe and a leading contributor to the scientific field in which the Company has developed. From a clinical viewpoint, Marseille is home to several leading hospital cancer research infrastructures (Paoli Calmette Institute - IPC, and the Marseille Public University Hospital System - APHM) which are active in the fields of immuno-oncology, solid tumors and hematology.

The Company plays a leading role in its field in structuring the "Marseille-Immunopôle" immunology research and innovation ecosystem, which is part of the Eurobiomed competitive cluster led by Professor Eric Vivier (ex-

Director of the CIML, appointed Chief Scientific Officer of Innate Pharma on January 1st, 2018) and Hervé Brailly, Chairman of the Company's Supervisory Board. The Marseille Immunopole cluster focuses exclusively on the research and development of immunotherapeutic antibodies and cell therapies. At the crossroads of talents, technologies and applications, more than 2,000 researchers, clinicians, engineers and industrialists work hand in hand to accelerate the development of these treatments, facilitate patient access to these innovations and position the metropolis at the heart of the world competition.

Marseille Immunopôle is identified by the different local authorities (City, Metropolis, County Council and Region) as well as by the Chamber of Commerce as one of the structuring projects of the territory.

Challenge

To continue benefiting from this environment, one of Innate Pharma's major strategic priorities is to consolidate and harness the benefits of its innovation ecosystem.

Approach

Beyond its involvement in the Marseille Immunopole cluster, the Company actively participates in the animation and development of the Luminy technopole through development and infrastructure programs (services, sports, transportation), job dating, training or pooling of business services (with the Grand Luminy Technopole Association and the Campus Plan Committee of Aix – Marseille University – AMU). It is also active in the Eurobiomed competitiveness cluster.

Achievements of the year

The Company is active at several levels within the Marseille Immunopole cluster: participation in the steering committee and provision of staff for part of its time to contribute to cluster coordination.

In 2018 the cluster has set up with the Company, as well as with the companies HalioDX and Imcheck Therapeutics, the platform MIjobs allowing on the one hand the posting of job offers on a common job board and on the other hand the setting up of a shared CV library. This project was made possible thanks to the support of the Region and DIRRECTE.

One of the illustrations of the dynamism of the cluster is through the PIONEER project, selected and supported by Future Investments as part of the RHU3 call, which the company is partnering with other members of the cluster. Launched at the end of 2017, the project really started in 2018 with the launch of 2 clinical trials and the setting up of the main conventions.

The Company is represented in the governance of Eurobiomed and contributed, in 2018, to the development of the new roadmap of the Cluster for the years to come. As described in its 2019-2022 roadmap, Eurobiomed's new ambition is to anchor France as one of the world leaders in healthcare innovation, support the growth of innovative companies and be a player in new innovation solutions to improve the prevention, prediction, diagnosis or therapy of diseases or disabilities.

As a member of the Grand Luminy Association, the Company took part in the Corporate Challenge organized on May 18, 2018 by the Association. Three teams of volunteer employees took part in this event. This allowed the employees of each company to come together around a common, non-professional goal and develop a spirit of cohesion. This challenge was also an opportunity to get to know peers, who also work in the research and development of scientific projects.

1.10.3.1.2. Relationship with the territory

Challenge

The Company, as a major player in the territory's economy, is involved in projects that are relevant to the territory's life and economic development.

Approach

The Company raises important issues concerning the attractiveness of the area with institutional players and local and regional authorities.

Achievements of the year

In 2018, the Company participated in several meetings of the Aix Marseille Provence Métropole Technical Committee for the development of the MI-Biopark economic sector on Luminy. The aim was to identify scenarios as part of the urban and landscape planning study. A consensus of all the actors (State services, Region, University, Metropolis, companies) was cleared:

- on the need for a pedestrian link and fire defense between the two subsectors of MI-Biopak
- on a scenario of evolutionary development towards other scenarios and on the basis of a rigorous management of the flows of circulation
- the need to work together on the many common topics: signage, denomination of lanes, furniture, PDIE (Inter-company Travel

Plan) and also on a unified management of the site in the case of opening

It also participated in the first meeting of the Technical Committee set up by the Economic Development Department of Aix Marseille Provence Métropole for the development of the Metropolitan Roadmap for the Health Sector. The objectives are:

- To share the main contextual elements, the major challenges of the health sector and territorial positioning among the main private and public stakeholders concerned
- To propose, in complementarity with national and regional framework documents, a strategic vision and a 15-year ambition to support the development of the sector in France
- To formalize an evolutionary and partnership action program to structure, animate and develop the sector with a dual objective of business development and economic attractiveness

Finally, the Company contributed to the workshops on the theme of attractiveness and retention of talent organized by the South Region. The purpose of this exchange forum was to answer the following question: "What are the successful or successful actions, the ideas, the avenues you would like to explore, and which aim to promote the attractiveness and retention of Talents in our region? ".

1.10.3.1.3. Involvement for the education

The city of Marseille is a real hub for training in life sciences at all levels (technicians, engineers and researchers).

Challenge

Innate Pharma maintains close links with the regional training players, in particular Aix Marseille University and Kedge Business School, in order to be attractive for young graduates and to contribute to their training and to raise the awareness to the changing needs of the company's skills and thus to adapt the training content.

Approach

In conjunction with the educational institutions in the area (schools and universities), the Company contributes to the education of young people and students (career days, taking on trainees, presentations of jobs and careers to students as part of their university courses, involvement in university teaching, contribution to the structuring of the initial and continuing education offering in immunology). The Company is a host laboratory for the Aix-Marseille University life sciences PhD program (Ecole Doctorale des Sciences de la Vie d'Aix-Marseille-Université).

Achievements of the year

As part of its social and solidarity action, Innate Pharma has been welcoming students from priority education network colleges (REP+) for their internship in the Company since 2017. This year six students thus had the opportunity to become familiar with the professional environment and more specifically with a highly technical environment.

In 2017, the Company set up a partnership with KEDGE Business School, based in Luminy. Innate Pharma and the school, convinced of the pools of professionalism and innovation that constitute school / business relations, have signed a partnership agreement. Since September 2017, Innate Pharma has been co-opting the Specialized Master in Management of Innovative Structures and Activities in Health (MSIS Course). This Master, created at the request of the health and care industries, aims to train managers in the challenges of innovation in the health ecosystem. This partnership provides the Company with the innovative collaboration capabilities of an institution whose training quality is recognized and, conversely, to provide KEDGE Business School and its students with Innate Pharma's environment and know-how. This partnership made it possible to welcome a student on an "alternating internship" for a six-month assignment, within the Pharmaceutical Operations team, and to entrust a student work mission around the Great Place to Work theme.

In addition, Innate Pharma was involved in the reflection on the evolution of the Master Immunology program proposed by Aix-Marseille University since 2018, like other industrialists in the Marseille Immunopôle cluster, in order to adapt the content to the needs of potential future employers. Innate Pharma is also associated with the Master Program in Immunology Engineering at Aix Marseille University. The participation of the companies of the territory is expected for the welcoming of interns (internship-worker in first year of License, and internships of Master 1 and end of studies in year of Master 2), for the realization of courses within the framework certain Teaching Units and the setting up of practical work in their laboratories as well as the presentation to the students of the different trades of these companies. Partnerships at the European level are also envisaged within the framework of this Master.

1.10.3.2. SUBCONTRACTING AND SUPPLIERS

Challenge

A substantial part of Innate Pharma's activities are carried out by service providers, in particular those activities requiring a regulatory viewpoint on specific approvals such as Good Laboratory Practice (GLP), Good Manufacturing Practices (GMP) and Good Clinical Practice for example.

Approach

Rigorous selection of suppliers and subcontractors of the Company is carried out based on multiple criteria, consideration of competition and an audit of qualifications when necessary. All service providers selected must comply with the applicable regulatory requirements and the expectations of Innate Pharma at the operating and quality levels. Furthermore, the inspections carried out by the competent authorities in connection with issuance of the agreements constitute additional assurance.

Achievements of the year

Each year, the Company re-appraises all of its critical suppliers and subcontractors, conducts periodical follow-up audits and ensures that their accreditations are maintained.

1.10.3.3. MEASURES TAKEN TO PROMOTE PATIENT SAFETY

Challenge

The Company invents and develops drug candidates making it possible to treat diseases with a high medical need. The Company undertakes to respect patients participating in its clinical trials and to comply with the regulations in force.

Approach

The Company's practices aiming to produce reliable, pertinent and traceable data are controlled through its quality system and Charter, which draws on everything from exploratory research to clinical development. Product reliability is controlled throughout the development process for the drug candidate, and the Company is committed to maintain the highest levels of quality requirements:

- Through its service providers, by ensuring compliance with the regulatory requirements in effect.
- Internally, by setting up procedures based on quality standards for controlling data reliability, particularly through internal audits making it possible to verify their traceability and reliability.

In connection with the clinical trials, the Company complies with Good Clinical Practices: clinical research is carried out only following authorization by the competent authorities and the favorable opinion of an Independent Ethics Committee. The inclusion of a patient in a clinical trial follows his enlightened and signed consent. Company employees endeavor to treat individual medical information confidentially and protect it from reprehensible uses.

The corollary of these commitments is transparency, particularly with regard to patients. Publication of scientific and especially clinical data is a practice shared by all players in the industry, particularly through presentations during specialized conferences, publication on dedicated sites (for example, clinicaltrials.gov) and articles in peer-reviewed journals.

Achievements of the year

In addition to the periodic audits of the service providers used by the Company for the management of clinical trials, particularly when they are conducted in the United States, a program of audits of the investigating centers is defined annually and implemented according to the usual risk management principles.

I.10.4. Summary table of indicators

	2018	2017	2016
SOCIAL INDICATORS			
Employment			
Headcount as of Dec 31, 2018	195	188	154
Full Time Employee as of Dec 31, 2018	191	183	151
Permanent contracts	96%	96%	94%
Managers	65%	65%	66%
Women	69%	66%	65%
Staff aged 45 years or older	23%	19%	19%
Holder of a PhD	29%	27%	30%
Average age	38	36	36
Net new hires	7	34	36
Number of young graduates hired	3	10	8
Rate of employee departure	4.1%	2.8%	5.2%
Compensation			
Percentage of annual collective increase	1.24%	1.5%	1.5%
Average annual gross compensation, including Executive Committee	€64,370	€60,180	€57,392
Work organization			
Percentage of part-time employees	11%	13%	12%
Absenteeism rate	1.9%	1.5%	2.1%
Working conditions			
Number of workplace accidents with absence from work	2	5	3
Frequency rate of workplace accidents with absence from work	6.55	17.77	14.12
Severity rate of workplace accidents	0.01	0.18	0.44
Number of occupational illnesses	0	0	0
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	84.6%	76.7%	72.4%
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	50.0%	71.4%	75.0%
Training			
Total number of hours of training (hours realized)	2,226	3,312	3,698
Percentage of staff that received training	91%	85%	103%
Average number of hours of training per employee per year	11.5	16.8	27.6
Percentage of payroll devoted to training	1.4%	1.4%	2.0%
Equal treatment			
Percentage of women in management	61%	66%	59%
Percentage of people with Disabled Worker status in the workforce	2.6%	1.6%	1.3%
Number of Handicap Plan actions completed	5	2	2
	2018	**2017**	**2016**
ENVIRONMENT INDICATORS			
Sustainable use of resources			
Annual electricity consumption	1,382,188 kWh	1,374,821 kWh	1,261,520 kWh
Indirect emissions of greenhouse gases related to electricity consumption	31.5 tons	45.5 tons	33.1 tons
Annual volume of water consumption	2,117 m3	2,999 m3	1,732 m3
Waste management			
Quantity of laboratory waste sent to a specific center	179,650 liters	204,520 liters	132,430 liters

CHAPTER 2 - CORPORATE GOVERNANCE

2.1. DEFINITIONS

- **Free shares (AGA) and free preferred shares (AGAP)**

	AGA New Executives	AGAP Management 2016/2017	AGA Performance Management 2018	AGA Bonus Management 2017	AGA Employees	AGAP Employees	AGA Performance Employees 2018
Instrument	Free shares	Free preferred shares	Performance free shares	Free shares	Free shares	Free preferred shares	Performance free shares
Beneficiaries	Employees and executive officers	Executive Board and Executive Committee members			Employees	Employees	Employees
Definitive acquisition period (as from attribution)	Three years	One year	Three years	One year	One year	One year	Three years
Retention period (as from definitive acquisition)	–	Two years	–	One year	Two years	Two years	–
Terms	Presence on the definitive acquisition date	Presence at the definitive acquisition date and at the end of the retention period	Presence on the definitive acquisition date	Presence on the definitive acquisition date	Presence on the definitive acquisition date	Presence at the definitive acquisition date and at the end of the retention period	Presence on the definitive acquisition date
Authorized by	AGM of June 2, 2016 (resolution 21) and AGM of June 23, 2017 (resolution 26)	AGM of June 2, 2016 (resolution 24) and AGM of June 23, 2017 (resolution 30)	AGM of May 29, 2018 (resolution 19)	AG du 23 juin 2017 (c 27)	AGM of June 2, 2016 (resolution 22) and AGM of June 23, 2017 (resolution 28)	AGM of June 2, 2016 (resolution 25 and AGM of June 23, 2017 (resolution 31)	AGM of May 29, 2018 (resolution 20)

Number of ordinary shares in case of maximum conversion	–	AGAP 2016: 200 AGAP 2017: 100	–	–	–	AGAP 2016: 200 AGAP 2017: 100	–
Performance criteria assessed over a three-year period	–	AGAP 2016: Operational and stock value criteria AGAP 2017: Stock value criteria	Operational and stock value criteria	Number of shares definitely acquired depending on the cash equivalent of 50% of the annual variable compensation increased by a 30% premium	–	AGAP 2016: Operational and stock value criteria AGAP 2017: Stock value criteria	Operational and stock value criteria

BSA Mean the warrants giving right to the subscription of new shares.

BSAAR Mean the redeemable equity warrants or BSAAR, which are securities whose subscription price and exercise price are fixed at their fair value as determined by an expert. The BSAAR subscription therefore represents an investment on the part of the beneficiary. At the end of the exercise period, if they have not been exercised, the BSAAR becomes void. The Company benefits from a clause called «forcing» making it possible to encourage holders to exercise their redeemable equity warrants when the market price exceeds the exercise price and reaches a threshold defined in the BSAAR issuance agreement. The Company may, then, subject to a time period for notifying holders that will permit them to exercise the BSAAR, decide to reimburse the warrants not exercised at a unit price equal to the BSAAR acquisition price paid by its holder.

The Company is a French *Société Anonyme* organized with an Executive board and a Supervisory board. As such, it is subject to the terms of Articles L. 225-57 to L. 225-93 of the Code of Commerce and related regulatory provisions.

The Company complies with the AFEP/MEDEF corporate governance recommendations for publicly listed companies updated on November 24th, 2016 ("AFEP/MEDEF recommendations") which can be consulted on the site www.medef.com, and applies the principles set out therein, except as set out in paragraph 2.2.9. In accordance with the recommendations included in this code, the reasons for not applying certain principles are explained in this Reference Document.

2.2. GOVERNANCE

2.2.1. Presentation of Executive committee and Supervisory board members on December 31, 2018

2.2.1.1. CHANGES TO THE EXECUTIVE AND SUPERVISORY BOARD END BRIEF DESCRIPTION TABLE OF THE MEMBERS

2.2.1.1.1. Changes occurred to the Supervisory and Executive board structure during the fiscal year ended on December 31, 2018

No change to the Executive Board and the Supervisory Board and committees occurred during the 2018 financial year.

Laure-Hélène Mercier, who was Executive committee member and Executive Vice President, Chief Financial Officer, was appointed as Executive Board member on January 31, 2019.

Odile Belzunce, who was Senior Director, Comex Secretary & Compliance, was appointed as Executive Board member on January 31, 2019.

Jérôme Tiollier, Executive committee member and Executive Vice President, Chief Development Officer, left the Company on December 31, 2018.

2.2.1.1.2.Brief description table of Executive and Supervisory board members at the date of this Reference Document

Personal information					Experience		Position				Committees		
	Age	Sex	Nationality	Number of ordinary shares freely transferable	Main position outside the Company	Mandates in listed companies	Indepe ndence	Initial appointment date	Mandate termination	Seniority [1]	Audit	Compensation and nomination	Transaction
Executive Board members													
Mondher Mahjoubi	60	H	French	15,218	N/A	N/A	N/A	12/30/16	01/31/22[6]	2 years	N/A	N/A	N/A
Yannis Morel	45	H	French	54,937	N/A	N/A	N/A	05/25/15	01/31/22[6]	4 years	N/A	N/A	N/A
Laure-Hélène Mercier	41	F	French	8,099	N/A	N/A	N/A	01/31/19	01/31/22[6]	0 year	N/A	N/A	N/A
Supervisory Board members													
Hervé Brailly	57	H	French	1,024,784	See 1.1.2	N/A	✗	12/30/16	2019 AGM[5]	2 year	✗	✓	✓
Gilles Brisson	67	H	French	48,059	See 1.1.2	N/A	✓	07/27/07	2019 AGM[5]	12 years [7]	✓	✓	✗
Patrick Langlois	73	H	French	8,141[4]	See 1.1.2	See 1.1.2	✓	05/25/10	2019 AGM[5]	9 years	✓	✓	✗
Irina Staatz-Granzer	59	F	German	100	See 1.1.2	N/A	✓	06/23/09	2019 AGM[5]	10 years	✓	✗	✓
Novo Nordisk A/S [2]	52	H	Danish	8,908,456	Senior VP Corporate Finance (Novo Nordisk group)	See 1.1.2	✗	07/26/07	2019 AGM[5]	12 years	✗	✗	✓
Bpifrance Participations [3]	56	F	French	4,396,682	Director of Pôle Investissement Large Venture at Bpifrance	See 1.1.2	✗	06/23/17	2019 AGM[5]	2 years	✓	✗	✗
Véronique Chabernaud	57	F	French	10	Founder of association "Créer la vitalité"	N/A	✓	04/27/15	2019 AGM[5]	4 years	✗	✓	✗
Jean-Yves Blay	56	H	French	0	General Director of Léon Bérard centre	N/A	✓	12/13/17	2019 AGM[5]	1 year	✗	✗	✗

(1) Into the Executive/Supervisory Board

(2) Permanent representative: Marcus Schindler

(3) Permanent representative: Mailys Ferrere

(4) Number of shares held directly and indirectly

(5) AGM ruling in 2019 on 2018 accounts

(6) The Supervisory Board of January 31, 2019 recorded the resignation of the Executive Board. Mondher Mahjoui, as Chairman and Yannis Morel as Executive Board member, were appointed for a three-year mandate, terminating on January 31, 2022 and Laure-Hélène Mercier was appointed as new Executive Board member for a three-year mandate also terminating on January 31, 2022

(7) As of July 27, 2019

1.1.2 EXECUTIVE BOARD AND EXECUTIVE COMMITTEE MEMBERS

Mondher Mahjoubi, M.D.

Chairman of the Executive Board

Born on 09/16/1958 – French

First nomination on 12/30/16

Term expires: 01/31/2022

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	15,218	**AGA 2016-2**	250,000
AGAP 2016-2	3,000	**AGA Bonus Management 2018-1**	36,225(2)
AGAP 2017-1	700		
AGA de Performance 2018	70,000		

Expertise and experience

Mondher Mahjoubi was appointed as Chairman of the Executive Board (CEO) on December 30, 2016. Prior joining Innate Pharma, Dr. Mahjoubi led the Oncology area at AstraZeneca beginning in November 2013, firstly as Senior Vice President in charge of the cancer pipeline global strategy and then as the World Global General Manager in charge of the strategy and the medical affairs and commercial activities in oncology with the direct responsibility for the activities on the US market. During these three years, he significantly contributed to develop the oncology pipeline and to create a new leadership strategy, which led to the market authorization for two therapeutics innovations (Lynparza© and Tagrisso©) and to prepare the commercialization of durvalumab. Before joining AstraZeneca, he spent seven years at Roche-Genentech where he was successively World Medical Director in charge of oncology medical affairs and then Senior Vice President in charge of the global strategy in oncology. He began his career at Sanofi, where he spent 15 years and held several operational and strategic positions in France and in the world, relating to the medical affairs, the marketing and the sales. Before joining the pharmaceutical industry, Mondher Mahjoubi was an oncologist doctor at Institute Gustave Roussy in Villejuif between 1987 and 1991, as resident doctor. He graduated from the University of Tunis (MD and success to the resident doctor exam), from University of Paris Sud (certification in medical oncology) and from University Lariboisière Saint-Louis (methodology, clinical research and pharmacology). He is a member of the American Society of Clinical Oncology and European Society of Medical Oncology.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Senior Vice-President « head of oncology TA » at Genentech

Positions and appointments previously held during the five past years in listed companies

Senior Vice-President « head of oncology TA » at AstraZeneca

(1) See 2.3.2.1.5

(2) See 2.3.2.1.2

Yannis Morel, PhD

Executive Board member, Executive Vice President, Product portfolio strategy & Business development

Born on 11/02/1973 – French

First nomination on 06/25/2015

Term expires: 01/31/2022

Holding of shares and equity instruments as of January 31, 2019[1]

Shares	57,593	**BSAAR**	88,000	**AGAP 2016-1**	450	**AGA Bonus Management 2018**	8,324[2]
				AGAP 2017-1	500		
				AGA de Performance 2018-1	50,000		

Expertise and experience

Yannis Morel joined the Company in December 2001. Between 2001 and 2007, he occupied several positions in the R&D Department of the Company, from immunology researcher to team leader and program manager of R&D. Since 2007, he has been responsible for the business development of the Company. He first graduated in molecular physical chemistry, then studied for a PhD in Oncology (University of Aix-Marseille) and graduated from the Ecole Normale Superieure of Cachan.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

(2) See 2.3.2.1.2

Laure-Hélène Mercier, MSc, MBA

Executive Board member, Executive Vice President, Chief Financial Officer

Born on 02/09/1978 – French

First nomination on 01/31/2019

Term expires: 01/31/2022

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	6,076	**BSAAR**	44,500	**AGAP 2016-1**	250	**AGA Bonus Management 2017-1**	2,236 (2)
				AGAP 2017-1	400		
AGA Dir. 2016-1	50,000	**AGA Sal. 2016-1**	1,162				

Expertise and experience

Laure-Hélène Mercier joined the Company in 2007 and was appointed Chief Financial Officer on December 30, 2016. Prior to her current position, Laure-Hélène Mercier serves as Executive Vice President in charge of Finance and was previously Director of Investor Relations. Prior to joining the Company, Ms. Mercier held positions as an equity analyst at Oddo Securities and Natixis Bleichroeder. She has an MSc in Neurosciences from Université Aix-Marseille and a MBA from ESSEC Business School.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

(2) See 2.3.2.1.2

Pierre Dodion, MD, MBA

Member of the Executive Committee, Executive Vice President and Chief Medical Officer

Born on 08/07/1954 – Belgian and American

First nomination in September 2014

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	372	**BSAAR**	57,000	**AGAP 2016-1**	250
				AGAP 2017-1	400
				AGA de Performance 2018-1	30 000

Expertise and experience

Pierre Dodion joined the Company in 2014. He is a medical oncologist, with a specialization degree in Oncology from the Université Libre de Bruxelles, Belgium and a MBA degree from the Saint Joseph University of Philadelphia, PA. He is a senior executive with 28 years of experience in the pharmaceutical industry having worked at Pfizer, Novartis and Aventis (named now Sanofi). In 2007, he joined the biotechnology company ARIAD Pharmaceuticals, first as Senior Vice President and Chief Medical Officer, then as Senior Vice President Corporate Development and Operations.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

Odile Belzunce

Member of the Executive Committee, Vice-president Compliance, IT and Portfolio Management

Born on October 23, 1980 – French

First nomination on January 31, 2019

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	4 775	**BSAAR**	15 000	**AGAP 2016-1**	50	**AGA Sal. 2017-1**	500
				AGAP 2017-1	109		
				AGA Performance 2018-1	10 000		

Expertise et expérience

Odile Belzunce joined Innate Pharma in February 2005. She was Quality Manager during 10 years before becoming Head of Compliance and then joining the Executive Committee in 2019. During her career at Innnate, Odile Belzunce contributed to the structuration of the processes as the Company was growing, developing its portfolio and its activities.

Odile Belzunce holds a DESS "Analyse & Qualité", from Aix-Marseille University.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

Jennifer Butler

Member of the Executive Committee, Executive Vice-president, US General Manager

Born on June 24, 1976 – American

First nomination on March 11, 2019

Holding of shares and equity instruments as of January 31, 2019 (1)

Nothing

Expertise et experience

Jennifer Butler joined Innate Pharma in March 2019. Jennifer Butler will be joining Innate from Tessa Therapeutics, a clinical-stage oncology company, where she served as Chief Business Officer, Chief Commercial Officer and Head of US operations, responsible for global business development and commercial strategy. Prior to her role at Tessa Therapeutics, she served for more than 10 years in various commercial roles with increasing responsibility at AstraZeneca/MedImmune. While at AstraZeneca, Jennifer Butler was the Global Commercial Head of Immuno-Oncology, where she led the global commercial team preparing for the company's first Immuno-Oncology launches with IMFINZI® in bladder cancer. Jennifer Butler also previously worked in strategic healthcare consulting and as an analyst in Equity Capital Markets at Merrill Lynch.

Other positions and mandates in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

Eric Vivier, DVM, MBA

Permanent guest to the Executive Committee, Senior Vice-president, Chief Scientific Officer

Born on 04/06/1964 – French

First appointment in January 4, 2018

*

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	36,400	**AGA Sal. 2017-1**	25,000	**AGAP Sal. 2017-1**	500
				AGA Performance 2018-1	50,000
AGA Bonus Management 2018	11,561				

Expertise and experience

Eric Vivier is a Doctor of Veterinary Medicine (DVM) from the Ecole Nationale Vétérinaire de Maisons-Alfort and holds a PhD in Immunology from the Paris University (Paris XI). After completing his post-doctoral fellowship at Harvard Medical School (Dana Faber Cancer Institute), Pr. Vivier joined the Center of Immunology at Marseille-Luminy (CIML) in 1993, becoming its director in 2008 until 2017. He has twice been laureate of the prestigious European Research Council (ERC) advanced grants.

During his career, Pr. Vivier has been a visiting professor at The Scripps Research Institute, The Rockefeller University, and The Walter and Elisa Hall Institute. He is a member of the French National Academy of Medicine and of the Institut Universitaire de France. He is on the Board of numerous committees and has been awarded several prices and honours, including the European Federation of Immunological Society award and the Grand Prix Charles Oberling in Oncology. He is also Chevalier de la Légion d'Honneur.

Other positions and mandates in listed and unlisted companies

Member of the "Académie nationale de médecine » and the « Institut universitaire de France »

Positions and appointments previously held during the five past years in unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

(1) See 2.3.2.1.5

1.1.3 SUPERVISORY BOARD MEMBERS

Hervé Brailly, PhD

Chairman of the Supervisory Board – Non independent member

Member of the Compensation and nomination committee and of the Transactions committee

Born on 12/16/1961 – French

First nomination on 12/30/2016

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	1,024,784 (directly and indirectly held)	**BSAAR**	350,000	**AGAP 2016-1**	500

Expertise and experience

Hervé Brailly is a co-founder of the Company and chaired the Executive committee from the time the Company was created in 1999 until it was converted into a *société anonyme* with an Executive Board and a Supervisory Board on June 13, 2005 and was Chairman of the Executive Board until December 30, 2016. Before the creation of Innate Pharma, Hervé Brailly spent his entire career at Immunotech SA, one of the first French biotechnology start-up acquired in 1995 by Beckman-Coulter. In particular, he was at the origin and then in charge of a business activity in China from 1992 to 1995, and then he was the director of one of the company's business unit. Since 2017, Hervé Brailly is a member of the Board of Deinove SA (Montpellier) [ALDEI], a company specializing in microbiology. He is also co-founder and Partner of the Japanese Investment fund Asajes Ventures (Tokyo), which finances the development in Asia of drugs derives from European or American biopharmaceuticals, and member of the Strategic Board of the BPI fund Innobio 2. Hervé Brailly is also involved into the governance of other associations and state-owned entities in relation with the University, the innovation for life science and the transfer of technologies. Hervé Brailly graduated from of the Ecole des Mines de Paris (1983) and a Doctor of Immunology, with a specialization in immuno-pharmacology.

Other mandates and positions in listed companies

Member of the Board of Deinove SA [ALDEI]

Other mandates and positions in unlisted companies

Partner of the Japanese Investment fund Asajes Ventures
Member of the Board of NH Theraquix (from April 1, 2019)
Member of the Board of Harobase SAS (from April 1, 2019)
Member of the Board of Swenson Global SA
President of Kervrant Biotech SAS
Member of the Strategic Board of the fund Innobio 2 (BPI)
Member of the bureau and treasurer of Eurobiomed
Member of the Strategic and prospective committee of Aix Marseille Université
President of the engineering school Polytech-Marseille (Aix Marseille Université)

Positions and appointments previously held during the five past years in unlisted companies

Member of the Supervisory Board of Inserm Transfert (not renewed in 2014)
Member of the Board of Platine Pharma Services (not renewed in 2014)
Chairman of the Board of Innate Pharma Inc. (resignation on December 30, 2016)
Member of the development counsel of Provence Métropole
Member of the Investment committee of SATT Sud-Est

Positions and appointments previously held during the five past years in listed companies

Chairman of the Executive Board of the Company (resignation on 12/30/2016)

(1) See 2.3.2.1.5

Gilles Brisson, HEC

Member of the Supervisory Board – independent member

President of the Compensation and nomination committee and member of the audit committee

Born on 01/08/1952 – French

First nomination on 06/26/2007

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	48,059	**BSA**	50,000

Expertise and experience

Gilles Brisson has fulfilled management positions at Rhône-Poulenc then Aventis, as Chairman of the Executive Board, Chairman of the Supervisory Board of Aventis Pharma SA, and then Europe Manager for Aventis Pharma. He had previously held an international career with Rhône-Poulenc Rorer and then Aventis, in the United States, in France and in Japan, with overall responsibilities especially as Senior Vice President Corporate Development of Rhône-Poulenc Rorer and Senior Vice President of Worldwide Communications and Public Affairs for Aventis.

Other positions and mandates in listed companies

Nothing

Other positions and mandates in unlisted companies

Chairman of the Supervisory Board of Ethypharm SA;
Member of the Board of directors of LFB.

Positions and appointments previously held during the five past years in unlisted companies

Member of the Supervisory Board of Carso group.

Positions and appointments previously held during the five past years in listed companies

Chairman of the Board of Mauna Kea Technologies [MKEA]

(1) See 2.3.2.1.5

Patrick Langlois

Member of the Supervisory Board – independent member

Member of the Compensation and nomination committee and President of the audit committee

Born on 12/09/1945 – French

First nomination on 05/25/2010

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	8,141 (directly and indirectly held)	**BSA**	7,000

Expertise and experience

Patrick Langlois joined the Rhône-Poulenc group in 1975. Among the various positions held, he was a member of the Executive Committee and Financial Director of the Rhône-Poulenc Rorer group from 1990 to 1996, Financial Director of the Rhône-Poulenc group from 1997 to 1999 and Financial Director and Executive Vice President of the Aventis SA group from 2000 to 2004. M. Patrick Langlois has been Managing Partner of PJL Conseils since 2005 and is a Director of several biopharmaceutical companies

Other positions and mandates in listed companies

Member of the Board, member of the Compensation committee and President of the Audit committee of Newron [NWRN]
Chairman of the Board, president of the Compensation and nomination committee of Sensorion SA (FR) [ALSEN]

Other positions and mandates and unlisted companies

Chairman of the Board of B Cell Design

Positions and appointments previously held during the five past years in listed companies

Independent member of the Board, President of the Audit Committee and member of the Compensation committee of Stallergènes Greer PLC [STAGR]
Chairman of the Board, President of the Compensation and nomination committee of ONXEO SA, note renewed in 2016 [ONXEO]
Member of the Board and President of the Audit committee and member of the Compensation committee of Scynexis [SCYX], not renewed in 2017

Positions and appointments previously held during the five past years in unlisted companies

Nothing

(1) See 2.3.2.1.5

Irina Staatz-Granzer

Vice-Chairman of the Supervisory Board – independent member

President of the Transaction committee and member of the Audit committee

Born on 05/25/1960 – German

First nomination on 06/23/2009

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	100	**BSA**	45,000

Expertise and experience

Irina Staatz-Granzer, Pharmacist, held several positions in the pharmaceutical industry, mostly in Business Development at Hermal, Boots Healthcare International, Knoll, Scil Biomedicals and as CEO (Scil Technology, U3 Pharma). She founded and is CEO of Staatz Business Development & Strategy and within this frame advises her international clients on collaborations, licensing agreements and M&A transactions.

Other positions and mandates in listed companies

Nothing

Other positions and mandates in unlisted companies

Founder of Staatz Business Development & Strategy
Chairman of Blink Biomedicals SAS since 2015
Chairman de Talix Therapeutics NV since 2017
President of PLCD (German Pharma Licensing Club)

Positions and appointments previously held during the five past years in listed companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Chairman of Blink Therapeutics Ltd (not renewed in 2017)
(1) See 2.3.2.1.5

Novo Nordisk A/S represented by Marcus Schlinder

Member of the Supervisory Board – Non independent member

Member of the Transaction committee

Born on 09/17/1966 – Danish

First nomination of Novo Nordisk A/S on 06/26/07

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

8,908,456 shares

Expertise and experience

Mr Schindler is Senior Vice President of External Innovation & Strategy at Novo Nordisk A/S. This area is responsible for identifying, establishing and maintaining all external deals and collaborations up to and including Clinical Proof of Concept within all therapy areas.

Prior to this occupation, Mr Schindler was VP, Head of the Cardiovascular & Metabolic Diseases and Head of Research at Novo Nordisk A/S. Previously he was member of Executive Management Committee, (OSI) Prosidion, based in Oxford, UK, held senior positions at Boehringer Ingelheim and at Glaxo Wellcome's blue skies research institute, "Glaxo Institute of Applied Pharmacology", Cambridge, UK.

Mr Schindler received his PhD in Pharmacology from the University of Cambridge and holds a position as adjunct Professor of Pharmacology at the University of Gothenburg. He as co-authored 50+ peer-reviewed researches papers and is an inventor of 25 international patent applications.

Other positions and mandates of Marcus Schindler in listed and unlisted companies

Nothing

Positions and appointments previously held during the five past years in listed companies

Nothing

Other positions and mandates in listed and unlisted companies

Nothing

(1) See 2.3.2.1.5

Bpifrance Participations represented by Mailys Ferrere

Member of the Supervisory Board – Non independent member

Member of the Audit committee

Born on 09/12/1962 – French

First nomination on 06/23/2017

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

4,396,682 shares

Expertise and experience

Director of the Large Venture Investment team, Innovation Division of Bpifrance

Mailys Ferrère is Director of the Large Venture Investment team within the Innovation Division of Bpifrance. Large Venture's mission is to provide long term capital to innovative French companies in areas with very strong growth with the goal of creating world leaders. The portfolio currently includes 30 companies in life sciences, digital and environmental technologies.

Prior to this position, Mailys Ferrère was an Investment Director at the Strategic Investment Fund between 2009 and 2012. She previously had a career in banking, focusing on equity capital markets in various financial institutions. Mailys Ferrère is a member of the Boards of Directors or Supervisory boards of the following companies: DBV, Valneva SE, Pixium, Gensight, Euronext Paris and Innate Pharma.

Other positions and mandates in listed companies
Member of the Board of DBV Technologies SA [DBV]
Member of the Supervisory Board of Valneva SE [VLA]
Member of the Board of Sequans Communications SA [NYSE : SQNS]
Other positions and mandates in unlisted companies
Member of the Board of Euronext Paris

Positions and appointments previously held during the five past years in listed companies

Member of the Board of Pixium Vision [PIX] (expired in 2017)
Member of the Board of GenSight Biologics [SIGHT] (expired in 2017)

Positions and appointments previously held during the five past years in unlisted companies

Member of the Board of Novasep Holding SAS (permanent representative of Bpifrance Participations, expired in 2013)
Member of the Board of Grimaud La Corbière SAS Group permanent representative of Bpifrance Participations, expired in 2014)
Member of the Board of Limagrain Holding SA Group (expired in 2014)

(1) See 2.3.2.1.5

Véronique Chabernaud

Member of the Supervisory Board – Independent member

Member of the compensation and nomination committee

Born on 11/18/1961 – French

First nomination on 04/27/15

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019 (1)

Shares	10	**BSA**	24,200

Expertise and experience

Véronique Chabernaud, oncologist and ESSEC graduate, occupied for 20 years, both national and international top-ranked positions in the pharmaceutical industry. In particular, she occupied the positions of Director of the France oncological operational unit at Sanofi Aventis, Vice President Marketing Sales at Aventis Intercontinental and Europe, and Director of Oncology Global Medical Affairs at Rhône-Poulenc Rorer. She was also consultant with companies in the innovative technology sector with high impact on public health, both in France and abroad (Genomic Health, BioSystems International, Mauna Kea Technologies, Ariana Pharma). In 2007, she founded her company "Créer la Vitalité" which helps companies and organizations in the development of a global health approach. Graduated in 2017 with the Board member certificate from the French Institute of Board members & Sciences Po., she also intervenes in this cursus. Véronique Chabernaud also founded the association "Enfance et Vitalité" which offers "Health" workshops to children. She is also co-writer of "Human capital versus capital human".

Other positions and mandates in listed companies

Nothing

Other positions and mandates in unlisted companies

Founder of the association « Créer la Vitalité »

Positions and appointments previously held during the five past years in listed companies

Nothing

Positions and appointments previously held during the five past years in unlisted companies

Nothing

(1) See 2.3.2.1.5

Jean-Yves Blay

Member of the Supervisory Board

Born on 11/02/1962- French

First nomination on 13/12/2017 to replace Jean-Charles Soria

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019(1)

50 shares

Expertise and experience

Professor Blay has held the post of General Director of the Centre Léon Bérard in Lyon, France, since 2014 and in 2016 became Secretary of the Oncology Commission of the French Academy of Medicine.

Between 2009 and 2012 he held the position of President of the European Organization for Research and Treatment of Cancer (EORTC). Prof. Blay currently holds various other university and hospital positions. He is a member of the European Union Committee of Experts of Rare Disease; the European Commission's Scientific Panel for Health (SPH) and served as a Faculty Coordinator for Sarcoma for the European Society of Medical Oncology (ESMO) between 2012 and 2016.

Trained as a medical oncologist with a PhD from the University Claude Bernard in Lyon, his research activities have been focused on the role of immune effector cells and cytokines in cancer. Prof. Blay is a member of various scientific societies and academic expert groups, has been awarded several honours and is the author of more than 200 publications over the last three years.

Other positions and mandates
General Director of Centre Léon Bérard in Lyon

Positions and appointments previously held during the five past years in listed companies

Nothing

Other positions and mandates in unlisted companies

Nothing

(1) See 2.3.2.1.5

Olivier Martinez, PhD, MBA

Observer of the Supervisory Board

Born on 09/18/1970 – French

Term expires: 2019 AGM

Holding of shares and equity instruments as of January 31, 2019

Nothing

Expertise and experience

Olivier Martinez is Senior Investments Director of the Investments Biotech Department of the Direction of Innovation of Bpifrance. Previously, Mr. Martinez was Investments Director of CDC Enterprises (2010–2013) and Partner of Bioam Gestion (2000–2010). He is also a member of the Supervisory Board of Adocia, Poxel, Cerenis Therapeutics and HalioDx. Mr. Martinez graduated from the Ecole Normale Supérieure and holds a Ph.D. in cellular biology from Paris XI University and a MBA from the Collège des Ingénieurs.

Other positions and mandates in listed companies
Observer to the Board of Poxel [POXEL] (permanent representative of Bpifrance Investissements)
Observer to the Board of Cerenis Therapeutics [CEREN] (permanent representative of Bpifrance Investissements)
Member of the Board of Adocia [ADOC]
Other positions and mandates in unlisted companies
Member of the Board of HalioDX (permanent representative of Bpifrance Investissement)

Positions and appointments previously held during the five past years in listed companies

Member of the Board of Cerenis Therapeutics (resigned in 2015)
Member of the Supervisory Board of Genticel (permanent representative of Bpifrance Investissements, resigned in February 2017)
Member of the Board of Poxel (permanent representative of Bpifrance Investissements, resigned in 2017)
Other positions and mandates in unlisted companies
Member of the Direction Committee of Fab Pharma (term expired in 2017)
Member of the Board of Alizé Pharma (resigned in 2017)
Member of the Supervisory Board of Cytheris (under court receivership since 2013)

2.2.2. ORGANIZATION AND FUNCTIONING OF EXECUTIVE AND SUPERVISORY BODIES

The Company, originally incorporated into a SAS, was transformed in 2005 into a « Société Anonyme » with a Supervisory Board and an Executive Board. This organization helps to distinguish the functions of leadership and management, performed by the Executive Board, and functions of controls devolved to the Supervisory Board. This separation allows balancing the powers between the executive functions and control functions that inspire the principles of corporate governance.

2.2.2.1. SUPERVISORY BOARD ORGANIZATION

2.2.2.1.1. Supervisory Board members

- **Supervisory Board's Key figures**

- **Composition of the Supervisory board**

The Company's Supervisory Board is composed of a minimum of three members and a maximum of eighteen members. Its members are appointed for a renewable term of two years at the General Meeting of shareholders, which may revoke their mandates at any time. The appointees are selected from among the shareholders and may be individuals or companies. Each member must own at least one of the Company's shares for the entire term of the mandate (see "Holding of shares by the Supervisory Board members"). The age limit for being a member of the Supervisory Board and the limitations on holding such a mandate concurrently with a mandate in another company are subject to the applicable legal and regulatory provisions. The Supervisory Board appoints a Chairman and a Vice-Chairman from its members who are individuals.

Since the General Meeting of shareholders of June 23, 2017, the Supervisory Board of Innate Pharma comprises eight members, five of these members are independent within the meaning of the rules set out in the AFEP/MEDEF Code. All the members of the Supervisory Board have been nominated in accordance with articles L. 225-69 and seq. of the French Commercial Code.

Three women are members of the Supervisory Board, Irina Staatz-Granzer, Véronique Chabernaud and Mailys Ferrere (permanent representative of Bpifrance Participations). The proportion of members of each sex within the Supervisory Board is compliant with the rules of article L. 225-69-1 of the French Commercial Code.

- **Supervisory Board's main skills**

The Supervisory Board ensures that its composition suits the Company's needs by matching with the Company's activities (experiences in biopharmaceutical companies, in marketing and sale of pharmaceutical products and in the management of listed companies) and being adapted to the Company's stakes (expertise in the medical and scientific fields, in finance and accounting and in the M&A and partnerships area).

While assessing its composition, the Supervisory Board takes into account the new strategic stakes adopted by the Company and determines whether the skills of current Supervisory Board members allow the Board to achieve its mission.

The matrix below shows the key competences of the Supervisory Board members during the 2018 fiscal year.

	H.Brailly	G.Brisson	P.Langlois	I. Staatz-Granzer	M. Schindler (Novo Nordisk A/S)	M. Ferrere (Bpifrance Participations	V.Chabernaud	Jean-Yves Blay	
Experience in biopharmaceutical industry (R&D, manufacturing, regulatory,…)	✔	✔	✔	✔	✔	✔	✔		88%
Top management of listed companies	✔	✔	✔		✔	✔	✔		75%
Business Development et M&A	✔	✔	✔	✔	✔	✔			75%
Scientific and medical expertise	✔				✔		✔	✔	50%
Financial/Accounting (Finance, Tax, Control, Audit…)		✔	✔	✔		✔			50%
Experience within the marketing and sale of pharmaceutical products		✔	✔		✔		✔		50%

To follow the Company's growth, the Supervisory Board intends to review its composition for the 2019 General Meeting of the shareholders and to propose the appointment of one or several members with marketing skills within the pharmaceutical products field.

Such adaptation is consistent with the new strategic evolution of the Company.

2

- **Supervisory board members independence**

In accordance with the AFEP/MEDEF Code, article 2.2 of the Charter of the Supervisory Board, as modified on December 12, 2018, states that a member of the Supervisory Board is an independent member when:	H.Brailly	G.Brisson	P.Langlois	I. Staatz-Granzer	M. Schindler (Novo Nordisk A/S)	M. Ferrere (Bpifrance Participations	V.Chabernaud	Jean-Yves Blay
He or she is not involved in any relationship with the Company, its group or its management, which could compromise his or her judgment	✔	✔	✔	✔	✔	✔	✔	✔
He or she does not represent a shareholder who holds more than 10% of the voting rights of the Company	✔	✔	✔	✔	✖	✔	✔	✔
Therefore, an independent member must not be or have been, currently or within the past five years:								
an employee or corporate officer[9] of the Company	✖	✔	✔	✔	✔	✔	✔	✔
an employee or director of an entity consolidated by the Company	✔	✔	✔	✔	✔	✔	✔	✔
a corporate officer of a company in which the Company is, either directly or indirectly, a director, or in which an employee or a corporate officer of the Company either currently or within the past five years is a director	✔	✔	✔	✔	✔	✔	✔	✔
a customer[10], supplier, investment banker or commercial banker that is significant to the Company or, if applicable, to one of its subsidiaries or for which the Company or one of its subsidiaries represent a significant part of its business	✔	✔	✔	✔	✔	✔	✔	✔
have any close family relationship to a corporate officer of the Company or, if applicable, of a subsidiary	✔	✔	✔	✔	✔	✔	✔	?
have been an auditor of the Company or, if applicable, of one of its subsidiaries, within the past five years	✔	✔	✔	✔	✔	✔	✔	✔
a corporate officer of the Company for more than twelve years	✔	✔[11]	✔	✔	✔	✔	✔	✔
receive variable compensation in cash or securities or any compensation linked to the performance of the Company or the group	✖	✔	✔	✔	✔	✔	✔	?

[9] Corporate officers mean the Chairman and the Executive Board members

[10] Or be related to the Company, directly or indirectly

[11] Gilles Brisson will be a member for 12 years as of July 27, 2019

Each year, the Supervisory Board reviews the independence of all its members.

The Board may consider that a member of the Supervisory Board, even though he or she may meet the criteria above, does not qualify as independent based on a specific situation concerning such member or the Company and in relation to the Company's shareholding or any other reason.

At the date of this Reference document, three members of the Supervisory Board are considered as non-independent members:

Hervé Brailly, who was Chairman of the Executive Board from 2005 to 2016;
Novo Nordisk A/S, represented by Mr. Marcus Schindler, which holds 13.9% of the shares and voting rights of the Company at the date of this Reference document;
Bpifrance Participations, represented by Mailys Ferrere, which holds 6.9% of the shares and voting rights of the Company at the date of this Reference document.

Therefore, the Chairman of the Supervisory Board is currently a non-independent member.

At the date of this Reference document, the other members of the Supervisory Board, Gilles Brisson, Patrick Langlois, Irina Staatz-Granzer, Véronique Chabernaud and Jean-Yves Blay are regarded as independent since they complied with the above mentioned criteria.

It is specified that as from July 27, 2019, Gilles Brisson will be a member of the Supervisory Board for more than twelve years. If Gilles Brisson's mandate is renewed at the 2019 Annual General Meeting, the Supervisory Board will deliberate on his independence at the time of this renewal.

It is also specified that the Supervisory Board of March 19, 2019 entrusted Patrick Langlois with a special mission (within the meaning of article L. 225-84 of the French Commercial Code). This mission does not call into question the independence of Patrick Langlois since it is a one-time mission, of limited duration, representing an amount of remuneration proportionate to its personal resources, and which is in line with its role at the Audit Committee and for which its independence is precisely important.

In 2019, the Supervisory Board will discuss the relations between the members of the Supervisory Board and the Company, according to the above-mentioned criteria.

Possible conflicts of interest that could result from certain discussions in the Supervisory Board will lead to the exclusion of the conflicted Supervisory Board member(s) from these discussions.

Any mandate held by the members of the Supervisory Board in other companies is independent of their mandate with the Company. Members of the Supervisory Board of Innate Pharma SA have no such mandate in the affiliates of the Company.

Except for the special mission of Jean-Yves Blay described in paragraph 2.3.1.3.3, and the special mission of Patrick Langlois described above, at the date of this Reference document, there is no service agreement binding Supervisory Board's members to the Company or its affiliates.

The Supervisory Board considers that, despite of his special mission, Jean-Yves Blay is an independent member of the Supervisory Board. The Supervisory Board analysed that, in accordance with article 8 of the AFEP-MEDEF Code, such mission was not likely to generate a conflict of interest or to jeopardize his judgment. This mission consists in reporting the Strategic Advisory Board work, which is not a committee of the Supervisory Board but an ad hoc committee made of external people coming from the scientific and medical communities. In addition, such mission needs that Jean-Yves Blay be independent towards the Company and could not have been granted to a non-independent member.

There are no family ties between the members of the Supervisory Board, either with any member of the Executive Board, of the Executive Committee, the Audit, Compensation and Nominations or the Transaction committees, or the Strategic advisory Board.

- **Assessment of the materiality of potential business relationship with members of the Supervisory Board**

At the date of this Reference document, no member of the Supervisory Board maintains or maintained any business relation (*i.e.* be client, finance banker, business banker) with the Company.

- **Appointment and renewing of the Supervisory Board members**

Supervisory Board members were, as the case may be, renewed or appointed following the General Meeting held on June 23, 2017 for a two-year period and their mandate will end at the General Meeting to be held in 2019 on 2018 accounts.

The appointment of Jean-Yves Blay by the Supervisory Board of December 13, 2017 was approved by the General

Meeting of May 29, 2018 and his mandate shall terminate at the General Meeting ruling in 2019 on 2018 accounts.

- **Holding of shares by the Supervisory Board members**

The Supervisory Board of December 12, 2018 has modified the Supervisory Board's internal rules to recommend that each Supervisory Board's member should, during its mandate duration, hold at least the equivalent of 10% of its annual compensation into ordinary shares of the Company.

Under the Company's by-laws, the Supervisory board's members must hold at least one Company's share.

The shareholding of the Supervisory Board's members at the date of this Reference document is detailed in paragraph 2.3.2.1.5.

2.2.2.1.2. Observer

The by-laws of the Company gives the General Meeting of shareholders the right to appoint, at its discretion, one or more observers, who may be either individuals or legal entities, shareholders or not, for a term of one year that expires at the General Meeting of shareholders called to vote on the latest financial accounts prepared after the first anniversary of their mandate. These mandates are renewable indefinitely.

The observers take part in all meetings of the Supervisory Board, with the right to speak under the same procedures as those set forth for the members of the Supervisory Board. They receive the same information and communications as the latter and are bound by the same terms of confidentiality and discretion. The obligations of deontology mentioned in the Charter of the Supervisory Board are applicable to the observers.

During previous years, Bpifrance Participations, represented by Olivier Martinez had a mandate as observer to the Supervisory Board (successive one-year mandates, renewable at each Annual General Meeting).

Such mandates allow Olivier Martinez to acquire a great understanding of the Company and provide the Supervisory Board with his expertise.

Thus, Olivier Martinez was appointed as observer by the 2018 Annual General Meeting for a one-year period ending at the 2019 Annual General Meeting called to approve the 2018 accounts.

2.2.2.2. SUPERVISORY BOARD FUNCTIONING

The Supervisory Board complies with applicable laws and regulations and articles 17 to 21 of the Company's by-laws.

The Supervisory Board also complies with functioning rules set forth by the charter of the Supervisory Board as modified on December 12, 2018 and published on the Company's website (the "**Charter**"). The Charter notably sets forth the functioning rules of the Supervisory Board and its committees.

At the date of this Reference document, there are three Supervisory Board's committees: Audit committee, Compensation and nomination committee and Transaction committee. There is also a Strategic advisory Board, ad hoc committee of the Company, which is not compounded of Supervisory Board members and whose functioning is detailed in paragraph 2.2.4.4.

2.2.2.2.1. Missions of the Supervisory board

The main missions of the Supervisory Board are as follows:

- Discussion of strategic orientations,
- Appointment of the members of the Executive Board,
- Exercise of permanent control over the Company's management by the Executive Board, review of the annual and half-year accounts and communication of relevant information to shareholders and to the financial markets,
- Review of the annual budget (in December or January, for the following year) and the revised budget (in September, for the ongoing year),
- Review of the reports of its committees,
- Draft of the Company's governance report,

- Authorization of significant transactions.

It may therefore carry out any verifications and inspections it deems appropriate and obtain any documents it considers useful for the performance of its tasks, at any time during the year. In the framework of its monitoring of the management of the Executive Board, the Supervisory Board is informed by all means about the financial position, treasury, commitments of the Company and the most significant events and operations for the Company as provided by the Supervisory Board internal rules. Once a quarter, the Supervisory Board receives a report written by the Executive Board.

The Supervisory Board presents its comments on the Executive board's annual management report (the *Rapport de Gestion*) and the accounts at the General Meeting of shareholders.

The Supervisory Board may give one or more of its members special powers for one or more particular purposes. The Supervisory Board may decide to create specific committees and set their composition and powers; such committees carry out their work under the control of the Supervisory Board, although the powers given to the Supervisory Board itself by law or the by-laws may not be delegated to such committees, nor may such committees reduce or limit the powers of the Executive Board.

On December 14, 2016, the Supervisory Board entrusted Mr. Hervé Brailly, in addition to its functions as Chairman of the Supervisory Board, under article L. 225-84 of the French Commercial Code, with a special mission, performed during the 2017 financial year consisting in:

Support the change of Company's team in 2017 and facilitate the transition;

Introduce Mr. Mahjoubi to the local, regional and French interlocutor (politicians, scientifics, economists) of the Company and to the key opinion leaders in the Company's fields of activities;

Advice the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies;

Continue and, as the case may be, establish some contacts required for business development activities;

Help to identify new targets of acquisition (preclinical projects, companies);

Be involved in some investor relations activities.

- The Supervisory Board of December 13, 2017, upon recommendation of the Compensation committee of December 8, 2017, assessed the special mission of Hervé Brailly and, on the basis of such assessment, decided to renew such special mission for a non-renewable one-year period until December 31, 2018. Such mission consisted in:

Advice Mondher Mahjoubi with regards to the relations with local, regional and French interlocutors (politicians, scientific, economists) of the Company and to the key opinion leaders in the Company's fields of activities;

Advice the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies, in addition to NK platform;

Continue and, as the case may be, establish some contacts required for business development activities;

Help to identify new targets of acquisition (preclinical projects, companies); and

Be involved in some investor relations activities if needed.

- As provided by the Supervisory Board of December 16, 2016, Hervé Brailly's special mission relating to the change of management that occurred in December 2016 was not renewed and terminated on December 31, 2018.
- During this mission, Hervé Brailly did not make any operational or management decisions.
- Such special mission was not formalized under a proper services agreement. Similarly, this special mission was not incompatible with Hervé Brailly's office as Chairman of the Supervisory Board.
- In accordance with article L. 225-84 of the French Commercial Code, Hervé Brailly's compensation (see paragraph 2.3.1.3.3) for such mission was subject to regulated agreements rules provided under articles L. 225-86 and *seq.* of the French Commercial Code.

2.2.2.2.2.Meetings of the Supervisory board

The Supervisory Board meets as often as the Company's interests require, and at least once per quarter. Meetings are called by its Chairman or its Vice-Chairman, at the headquarters or in any other place indicated in the notice of the meeting in accordance with article 19 of the Company by-laws. In 2018, the Supervisory Board met seven times with an average attendance rate of 96%.

The Chairman of the Supervisory Board must call a meeting of the Supervisory Board within 15 days if one or more members of the Executive Board or one-third or more of the members of the Supervisory Board present a request for him to do so. If the request remains unanswered, the members requesting the meeting may call it themselves and must provide a notice of the meeting's agenda.

The Supervisory Board is not validly in session unless at least half of its members are present. Decisions are approved by a majority of the members of the Supervisory Board present or represented at the meeting. Each member of the Supervisory Board has one vote and cannot represent more than one fellow colleague. If there is a tie vote, the Chairman has the casting vote.

In the course of 2018 financial year, the main topics addressed by the Supervisory Board were:

Review of business and corporate development opportunities;

Monitoring of clinical trials conducted in 2018 and their impact on the Company's development;

Development collaboration entered into with AstraZeneca on October 22, 2018;

Research strategy and preclinical development of new drug candidates;

Discussion on Company's strategy;

Monitoring of financial communication and investor relations activities;

Discussion on the equity instruments (nature, attribution policy and authorizations to use the delegations);

Follow-up of the financial communication and investor relations activities.

Executive Board members, including the Chairman of the Supervisory Board and the Executive committee members, attend Supervisory Board meeting periodically to bring some clarifications and present to the Supervisory Board the items on the agenda. The Executive Board and committee members are regularly asked to leave the room of the Board to allow the Supervisory Board members to discuss without executives' presence.

After the Supervisory Board meetings, the minutes are drafted by a secretary appointed during the Supervisory Board meeting. These draft minutes are sent to the members along with the agenda and documentation for the next meeting. They are approved and signed, if necessary after correction by the members.

2.2.2.2.3.Evaluation of the Supervisory board's works

In accordance with the AFEP/MEDEF Code, a periodic evaluation of the Supervisory board's works is conducted through a self-evaluation based on a questionnaire drawn up by the Company.

Such questionnaire aims at assessing the following items:

Functioning modalities of the Supervisory Board;

Verify that important matters are well prepared and discussed;

Effective contribution of each member to the board's counsels.

- The Board members have decided, at the Supervisory Board's meeting of December 12, 2018, to establish a self-assessment of which results have been presented and discussed during the Supervisory Board meeting held on January 31, 2019.
- The questionnaire drawn-up by the Company covered the composition, operation and effectiveness of the Supervisory Board and the Committees.
- The results of this evaluation show an improvement compared to the previous evaluation for the Supervisory Board as a whole and for the Committees.
- In particular, the Supervisory Board considers that its members have the skills and expertise necessary for its proper functioning, that they have the information they need to carry out their duties and that the relationships between the members of the Executive Committee and the Supervisory Board enable them to work effectively and transparently with the Company.

2.2.2.3. ORGANIZATION AND FUNCTIONING OF SUPERVISORY BOARD GOVERNANCE COMMITTEE

At the date of this Reference document, the Supervisory Board committees are now composed of:

	Audit Committee	Compensation and nomination Committee	Transaction committee
Patrick Langlois(1)	Chairman	Member	
Irina Staatz-Granzer(1)	Member		Chairman
Mailys Ferrere (Bpifrance Participations)	Member		
Gilles Brisson(1)	Member (2)	Chairman	
Véronique Chabernaud(1)		Member	
Hervé Brailly		Member	Member
Marcus Schindler (Novo Nordisk A/S)			Member

(1) Independent member of the Supervisory Board

(2) Audit committee member with « special financial or accounting skills » as provided under article L. 823-19 of the French Commercial Code, due to his experience in the pharmaceutic industry and the senior management positions he previously held with Rhône-Poulenc and Aventis. The Audit committee is compounded of 2/3 of independent members, as recommended by the Afep-Medef Code.

2.2.2.3.1. Audit committee

Audit committee	Number of members	Number of independent members	Number of meetings	Attendance rate
	4	3	4	100%

The Audit committee has been created by the Executive committee (when the Company was a *société par actions simplifiée*) on July 1, 2003 and was confirmed by the Supervisory Board on April 27, 2006.

The members of the Audit committee and their relationship with the Company, at the date of this Reference document, are detailed in paragraph 2.2.4.3 above.

The Charter of the Supervisory Board sets the rules relating to the composition, the organization and the role of the Audit committee.

The rules relating to the services other than certification of financial statement entrusted to the auditors are set up by the "Charter concerning the services that may be entrusted to the statutory auditors and their networks", adopted on September 13, 2018 by the Audit committee.

The Chairman of the Audit committee, and the other members, all members of the Supervisory Board, receive attendance fees for their participation on this committee.

In addition to the Audit committee members, representatives from the finance and internal control departments as well as the Statutory Auditors attend the Audit committee meetings.

The Audit committee meets as often as the Company's interests require, and at least twice a year, after the limited audit of the half-year accounts or the audit of the annual accounts and before the first Supervisory Board meeting following the half-year and annual accounting closing dates. The Committee hears the Company's management, including the Chief Financial Officer, and the Statutory Auditors. The Chief Financial Officer presents the account. In addition, every two years, a risk mapping is reviewed by the Audit committee. The statutory auditors present the essential points of the legal audit and accounting options adopted. When appropriate, the Audit committee may use the services of an external expert. The main missions of the Audit committee are the following of the legal control of the half-year and annual accounts, evaluation of internal control practices, risk analysis, the monitoring of the process for drawing up the financial information published by the Company and consistency checking and, the assessment of whether it would be opportune to make any changes to the accounting methods, the review of the Statutory Auditors' conclusions, the choice of Statutory Auditors (at the end of their term), their fees, and a review of their independence and the approval of the services other than the account certification described under the "Charter concerning the services that may be entrusted to the statutory auditors and their networks". The committee

reviews and approves the report from the Chairman of the Supervisory Board on the internal control. The question of internal control is a recurrent item in the agenda of the Audit committee.

During the 2018 fiscal year, the main issues dealt with by the Audit committee were:

Review of the financial reports presented by management;

Auditors' presentation regarding the legal audit and the accounting options adopted;

Review of internal control issues raised by auditors and action plans proposed by the Management;

Assessment of the tax risks by the Management;

Review of the budget process;

Accounting treatment of the development collaboration entered into with AstraZeneca on October 22, 2018 ;

Application of IFRS 15 rules;

Review of the risk mapping; and

Review of the cash management.

The Audit committee reports to the next Supervisory Board and, depending on the case, minutes are sent to the members of the Supervisory Board, along with other documentation for the Supervisory Board meeting following the Audit committee meeting. A member of the Audit committee or the Supervisory board's Chairman also intervenes during the Supervisory Board meeting in order to report on the principal conclusions of the Audit committee.

The financial reports and the agenda are sent to the members of the Audit committee before the meeting. At the end of the committee meeting, a session takes place between the members of the Audit committee and the Auditors.

2.2.2.3.2.Compensation and nomination committee

Compensation and nomination committee	Number of members	Number of independent members	Number of meetings	Attendance rate
	4	3	5	100%

The Compensation and nomination committee was created by the Management committee (when the Company was a *société par actions simplifiée*) on January 17, 2001 and was confirmed by the Supervisory committee on April 27, 2006.

The Compensation and nomination committee members and their relationship with the Company, at the date of this Reference document, are detailed in paragraph 2.2.4.3 above.

Given its size, resources and business, the Company does not believe that a nomination committee separate from the compensation committee is necessary.

The main missions of the Compensation and nomination committee are: the suggestion of appointment of Supervisory Board members, Executive Board members, Executive committee members and permanent guests to the Executive committee and key employees, the review of the Company's remuneration policy, in particular the evolution of the payroll, the description of the collective objectives (for the whole company) and individual objectives (for members of the Executive Board and the Executive committee), the compensation of the members of the Executive Board and the Executive committee including the permanent guest to the Executive committee, and the policy concerning the distribution of equity instruments such as stock-options, free shares, free preferred shares, free performance shares and capital increase reserved for members of the Company savings plan.

The Compensation and nomination committee meets as often as required and at least once a year. The Committee reports to the next Supervisory Board and, depending on the case, minutes of its meetings are sent to the members of the Supervisory Board under the meeting of the Supervisory Board following the meeting of the Compensation and nomination committee.

In 2018, the key tasks of the Compensation and nomination committee were as follows:

Suggest the appointment of new Supervisory Board members and recruitment of key employees;

Review the independence of each Supervisory Board members and their relationships with the Company to verify that there is no conflict of interest and be sure their independence is not threatened;

Make recommendations on the compensation policy of the executive and supervisory bodies to be submitted to the Annual general meeting vote ("say on pay ex ante" vote);

Start reflecting on the succession plan of Executive Board and committee members;

Submit salary increases for the Executive Board and committee members;

Determine the collective objectives of the Company and the individual objectives of the Executive Board and committee members (including the permanent guest to the Executive committee) and make suggestions on the corresponding bonus;

Assess the achievement of the objectives and, on this basis, make recommendations on the amount of the collective and individual bonus to be definitely attributed each year to the Executive Board and committee members (including the permanent guest to the Executive committee);

Make recommendations on the compensation policy of the Company for the other employees;

Make recommendation on the allocation of fees to the independent Supervisory Board members;

Make recommendations to the Executive Board on the allocation of equity instruments decided or authorized by the General meetings ; and

Make a recommendation on the exceptional premium granted following the development collaboration entered into with AstraZeneca on October 22, 2018.

2.2.2.3.3.Transaction committee

Transaction committee	Number of members	Number of independent members	Number of meetings	Attendance rate
	3	1	1	66,67%

A Transaction committee was created by the Supervisory Board on September 21, 2007.

The members of the Transaction committee and their relationship with the Company, at the date of this Reference document, are detailed in paragraph 2.2.4.3 above.

The primary responsibility of the Transaction committee is to examine, with the Company and its investments bankers or consultants, the business and corporate development opportunities that the Company could be considering (these strategic opportunities may include the acquisition of rights on products or the acquisition of other companies as well as out-licensing opportunities), and to this end it has to:

Analyse the fundamentals of the products and/or companies targeted by the Company, notably in relation to the Company's own fundamentals,

Analyse the feasibility of a transaction, and

If need be, participate in the process of selecting and defining the missions for the Company's investment bankers and/or consultants.

In 2018, the Transaction committee met once to formulate its recommendations on the collaboration of development entered into with AstraZeneca on October 22, 2018. To avoid any conflict of interest, Novo Nordisk A/S, main shareholder of the Company, did not attend such meeting, which explains the level of participation to the Transaction committee in 2018.

The Committee reports to the next Supervisory Board and, depending on the case, minutes of its meetings are sent to the members of the Supervisory Board, at time of the meeting of the Supervisory Board following the meeting of the Transaction committee. The frequency and contents of the meetings depend on operations of development engaged by the Company.

2.2.2.4. ORGANIZATION AND FUNCTIONING OF THE STRATEGIC ADVISORY BOARD

In April 2018, the Company has decided to replace the Scientific Advisory Board by a Strategic Advisory Board.

The Strategic Advisory Board is made up of six external consultants: three of them are coming from the medical community and the three others from the scientific community.

The Strategic Advisory Board shall issue advices and recommendations relating to the Company's research and development programs.

The mains responsibilities of the Strategic Advisory Board are:

Review and advise the Company on its scientific and medical strategy;

Review the preclinical, clinical and translational data on the compounds developed by the Company;

Inform the Company on the opportunities to purchase, for commercialization purposes, compounds and drugs in the immunotherapy field; and

Advise the Company on its competitive environment, which may impact the preclinical and clinical development strategies of the Company.

The members of the Strategic Advisory Board are subject to a strict confidentiality. Such obligation of confidentiality shall also apply to any external person, who may attend a Strategic Advisory Board meeting.

The Strategic Advisory Board shall meet as often as it deems necessary and at least once a year upon convocation of its Chairman.

A member of the Supervisory Board attends the meetings of the Strategic Advisory Board and is informed of its proceedings. The member of the Supervisory Board reports, at least once a year, to the Supervisory Board on the Strategic Advisory Board's work. At the date of this Reference document, Jean-Yves Blay attends these meetings and reports to the Supervisory Board (see "Supervisory Board members independence").

In addition, the Strategic Advisory Board being a committee put in place at the request of the Company, one or several members of the leadership team may attend the meetings. They report to the Executive Board.

The Strategic Advisory Board met for the first time on November 12, 2018 in NYC. The Strategic Board members, after having reviewed the Company's portfolio, made their first recommendations on, in particular, the need to push "immune desert" approaches, preclinical developments and specific clinical study designs.

Members of the Strategic Advisory Board are:

Sebastian Amigorena, PhD, is "Directeur de Recherche de Classe Exceptionnelle" at CNRS (the Centre National de la Recherche Scientifique). He also leads the Immunology Department "Immunity and Cancer" and the newly created Cancer Immunotherapy Center at Institut Curie (Paris, France). Sebastian Amigorena has made significant contributions to immunology and cell biology at every stage of his career. His findings have helped advance the understanding of antigen presentation and T cell priming by dendritic cells, with applications in the fields of cancer immunotherapy and vaccination. Sebastian Amigorena has received numerous national and international prizes and awards, including the prestigious senior European Research Council (ERC) award (2008 and 2014).

Aurélien Marabelle, MD, PhD, is the Clinical Director of the Cancer Immunotherapy Program at Gustave Roussy Cancer Center in Villejuif, France. Dr Marabelle's clinical practice is dedicated to early phase Clinical trials in Cancer Immunotherapy and his translational research is focused on mechanisms of action of immune checkpoint monoclonal antibodies. He works as a senior medical oncologist and an investigator in the Drug Development Department (DITEP). He is coordinating a team focused on cancer immunotherapy translational research projects at INSERM.

Ruslan Medzhitov, PhD, is a Sterling Professor at Yale University School of Medicine (New Haven, CT, USA) and an Investigator of the Howard Hughes Medical Institute. His research interests include biology of inflammation, biological bases of diseases and evolutionary design of biological systems. Ruslan Medzhitov is a member of the National Academy of Sciences, National Academy of Medicine, and European Molecular Biology Organization. He is a fellow of the American Academy of Microbiology and a foreign member of the Russian Academy of Sciences.

Miriam Merad, MD, PhD, is the Mount Sinai Chair professor in Cancer Immunology and the Director of the Precision Immunology Institute at Mount Sinai School of Medicine in New York (NY, USA). Dr. Merad's laboratory studies the contribution of macrophages and dendritic cells to Cancer and Inflammatory diseases in mice and humans. She has shown that tissue macrophages have unique functional attributes that contribute to tumor outcome and response to treatment. Dr. Merad pioneered mapping the regulatory network of dendritic cells (DCs) resulting in the identification of a lineage of DC, the CD103+ DC, that is now considered to be a key target to improve antiviral and antitumor immunity. Dr. Merad receives generous funding from the National Institutes of Health (NIH) for her research on innate immunity and their contribution to human disease and belongs to several NIH consortia.

Tanguy Seiwert, MD, is Assistant Professor of Medicine, Section of Hematology and Oncology in the Department of Medicine at the University of Chicago (Chicago, IL, USA). Dr. Seiwert's research focuses on the biology of head and neck cancer and lung cancer. In the laboratory, he studies targeted therapies that disrupt specific pathways vital to cancer growth and metastasis. More specifically, he focuses on which novel drugs appear most promising, which individual tumors are more likely to respond to these treatments, and how to successfully combine therapies. Dr. Seiwert uses this preclinical

knowledge to develop new treatments for use in clinical trials, and to ultimately improve patient care.

Mario Sznol, MD, is Professor of Medicine, Leader, Melanoma/RCC Disease-Associated Research Team, and co-leader, Cancer Immunology Program at the Yale Cancer Center (New Haven, CT, USA). Recently, he was appointed the incoming President of the Society for Immunotherapy of Cancer (SITC). Dr. Sznol's interests include cancer immunotherapy, drug development for cancer, and treatment of patients with melanoma and renal cell carcinoma. After completing a fellowship in medical oncology at Mount Sinai College of Medicine in NYC in 1987, he joined the NCI as a Senior Investigator in the Investigational Drug Branch (IDB), Cancer Therapy Evaluation Program (CTEP). He was Head of the Biologics Evaluation Program, IDB, CTEP, from 1994-1999, and in 1999, was appointed Vice President of Clinical Development for Vion Pharmaceuticals in New Haven, CT. He joined the Yale faculty in medical oncology in 2004.

2.2.3. Organization and functioning of the Executive board and the Executive committee

2.2.3.1. EXECUTIVE BOARD

2.2.3.1.1. Composition of the Executive board

The Company is managed by an Executive Board composed by a minimum of two members and a maximum of five members, who perform their duties under the control of a Supervisory Board. Under current law, the age limit for being a member of the Executive Board is 65. The mandate of any Executive Board member who reaches this legal age limit is terminated immediately and the Executive Board member is considered to have resigned its position.

The Executive Board of Innate Pharma is composed of four members appointed for a renewable term of three years.

In 2018, the Executive Board was composed of two members, appointed for a renewable three-year period:

Mondher Mahjoubi, Chairman of the Executive Board; and

Yannis Morel.

The Supervisory Board of January 31, 2019 recorded the resignation of Mondher Mahjoubi and Yannis Morel from their mandate as Executive Board members. The Supervisory Board of January 31, 2019, upon recommendation of the Compensation and nomination committee of the same day, appointed Mondher Mahjoubi as Chairman of the Executive Board and Yannis Morel and Laure-Hélène Mercier as Executive Board members. The new Executive Board was appointed for a three-year period and the Executive board's members' mandates will terminate on January 31, 2022.

At the date of this Reference document, the Executive Board is composed of three members, appointed for a renewable three-year period:

Mondher Mahjoubi, Executive Board Chairman;

Yannis Morel; and

Laure-Hélène Mercier.

2.2.3.1.2. Nomination and renewing of the Executive board

The members of the Executive Board are appointed, in accordance with the law, by the Supervisory Board, which appoints one of them as the Chairman and establishes the method and amount of their compensation when they are appointed. While members of the Executive Board are not required to be shareholders, they must be individuals. In compliance with the by-laws of the Company, they may also be revoked individually by the Supervisory Board.

If one of the seats of the Executive Board becomes vacant, the Supervisory Board must fill it within two months. The member of the Executive Board appointed as a substitute remains in office only for the duration of his predecessor's mandate.

2.2.3.1.3. Executive board meetings

The Executive Board is not validly in session unless at least half of its members are present. Any member of the Executive Board may send a representative or attend meetings by video conference or by any other means of telecommunication. No member of the Executive Board may hold more than one proxy. The decisions of the Executive Board are approved by a majority of the votes present and represented.

In 2018, the Executive Board met 12 times with an average attendance rate of 100%.

On the date of this Reference document, the Executive Board has met 3 times with an average attendance rate of 100%.

2.2.3.1.4.Executive board missions

The Executive Board is responsible for the management of the Company that it represents. The Supervisory Board exercises permanent control over the Company's management. The members of the Executive Board meet as often as required in the interest of the Company, but at least once a quarter, as called for by the Chairman or by a member of the Executive Board appointed for this purpose. The meetings of the Executive Board are chaired by the Chairman of the Executive Board. In his absence, the Executive Board appoints a Chairman for a particular meeting.

The Executive Board has the widest powers to act on behalf of the Company in accordance with the corporate purpose and within the limits of the powers expressly attributed by the law to the Supervisory Board and to meetings of shareholders and defined in the Company by-laws, which are regularly updated. The Executive Board also exercises its power subject to any restriction of power set by the Supervisory Board. The Company by-laws and the Supervisory Board internal rules do not mention any limitation to the Executive Board's powers. The members of the Executive Board are kept informed on a daily basis of any subject related to their specific area of competence.

Therefore, the Executive Board may not make any decisions about the sale of real estate property, the total or partial sale of holdings, granting securities, pledges, warrants and guarantees, without the approval of the Supervisory Board.

2.2.3.1.5.Chairman of the Executive board

The Chairman of the Executive Board represents the Company in its relations with third parties. The Supervisory Board may also assign this power of representation to one or more other members of the Executive Board; such persons then have the title of "Managing Director".

The Executive Board is notably empowered for determining, implementing and controlling the Company's strategy, for implementing the commercial and financial orientations in relation to operational actors, for nominating key personnel, as well as for the external communication and general policy of the Company.

If so authorized by the Supervisory Board, the members of the Executive Board may divide management tasks among themselves. However, this division may under no circumstances result in the Executive Board losing its shared responsibility for managing the Company.

2.2.3.1.6.Conflict of interest

There are no family ties between the members of the Executive Board and the Executive committee, either between themselves or with any member of the Supervisory Board, the Audit, Compensation and Nominations or the Transaction committees, or the Strategic advisory Board.

There is no services agreement binding the Executive Board members to the Company or its affiliates.

2.2.3.2. EXECUTIVE COMMITTEE

The Company's Executive committee is composed of members with significant experience in strategy, financial management, medical research, research and development project management, the negotiation of industrial and commercial agreements in the field of innovative companies in general and in biotechnology in particular and in quality and compliance to the applicable regulations and in Business Development. The Executive committee meets at least once a month and deals with all subject regarding the activities and the management of the Company.

The Senior VP, Chief Scientific Officer, attends, as guest, all the Executive committee meetings.

There are no service contracts between members of the Executive committee and the Company or its subsidiaries.

There are no family ties between the members of the Executive committee, either with any member of the Supervisory Board, the Audit, Compensation and Nominations or the Transaction committees, or the Strategic advisory Board.

2.2.3.3. SUCCESSION PLAN

During the 2018 financial year, the Compensation and nomination committee worked on the succession plan for Company's key positions and in particular on the succession of the Chairman of the Executive Board, the Executive Board members and the Executive committee members.

The Compensation and nomination committee has thus built up a succession plan to secure key positions, which was taken into account to draft the 2019 recruitment plan.

2.2.3.4. DIVERSITY OF THE MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

In accordance with Article L. 225-37-4 6° of the French Commercial Code, the Company ensures that the principle of diversity is respected in the composition of the Executive Board and the Executive Committee.

At the date of this Reference document, the Executive Committee is gender balanced, with three women and three men, aged 50 on average.

The members of the Executive Committee come from a variety of educational and professional backgrounds (medical, scientific, academic, pharmaceutical, financial,...) and have acquired the necessary experience and expertise throughout their professional careers, both in other companies (AstraZeneca, Sanofi, Tessa Therapeutics, university research,...) and within Innate Pharma, by joining the Executive Committee after an internal career development path. Thus, the members of the Executive Committee have varied and complementary skills necessary to determine, implement and achieve the Company's strategy.

The diversity of the Executive Committee (gender balance, career paths, professional experience, ...) reflects the diversity of the Company's employees. Thus, among the 10% of positions with higher responsibility, the 3 Director positions are held by women and 10 Senior Director positions out of 19 are held by women.

Thus, each new appointment to the Executive Committee tends to respect the principle of diversity described above and aims to provide the Company with new skills that are complementary and adapted to the context of the Company's strong growth and evolution.

2.2.4. Participation of the shareholders to the Annual General Meetings

The last annual General Meeting of shareholders was held on May 29, 2018 at the Company's head office, in accordance with the Company's by-laws. Shareholders (present or represented) represented 38,659% of the capital and voting rights of the Company. Shareholders were offered the choice to vote by mail, to give a proxy to the Chairman of the meeting or to attend to the meeting.

Modalities of attendance to the General Meetings for the shareholders are detailed under articles 26 to 34 of the Company's by-laws.

2.2.5. Agreements signed between an executive director or a signigficant shareholder
2.2.6. and a subsidiary

During the 2018 financial year, agreements subject to the last paragraph of article L. 225-37-4 2° of the French Commercial Code were concluded with (i) Novo Nordisk A/S, shareholder holding more than 10% of the share capital of the Company and with (ii) Jean-Yves Blay, member of the Supervisory Board.

The amendment entered into with Novo Nordisk A/S on September 19, 2018, aims to amend the manufacturing agreement dated December 13, 2007.

The agreement entered into with Jean-Yves Blay was concluded as part of a special mission under article L. 225-84 of the French Commercial Code.

These agreements are described under the list of regulated agreements attached as Annex A.

Excluding the agreements listed in the above mentioned Annex A, no agreement has been signed, directly or through an intermediary, pursuant to the last paragraph of article L.225-37-4 2° of the French Commercial Code, between on the one hand, one member of the Executive Board or the Supervisory Board, the managing director, one of his representatives, one of the directors or a shareholder holding a fraction of more than 10% of the voting rights of a Société Anonyme and on the other hand, a subsidiary of the Company.

2.2.7. Elements likely to have an impact in the event of a public offering

On the date of this Reference Document:

- **Structure of the Share capital**

The structure of the Company's share capital as of December 31, 2018 is described in 4.2.1.

- **Control of the Company and equity interests in the Company**

The Company does not have any shareholder who can exercise individual control over it. Its largest shareholder, Novo Nordisk A/S, holds 13.9% of the share capital as of January 31, 2018.

No shareholder is in a position to determine any decisions of Company shareholders solely on the basis of the voting rights that he holds in the Company.

No shareholder has the power to appoint or dismiss the majority of the members of the administrative, management or supervisory bodies of the Company.

- **Shareholders' agreements**

The Company is not aware of any shareholder agreement or concerted action among its shareholders.

At this time there is no agreement likely to restrict the share transfers and the exercise of the voting rights.

- **Statutory restrictions on exercising voting rights and transferring shares of the Company**

The Company's by-laws do not include any restrictions to the exercise of voting rights or to the transfer of Company shares.

Under the collaboration and development agreement entered into with AstraZeneca on October 22, 2018, AstraZeneca has agreed to a 180 days lock-up on the newly issued shares, subject to customary exceptions (transfers to affiliates, a tender offer or an Innate approved block trade). Following this initial 180 days period, and for an additional 180 days, AstraZeneca has agreed to sell its shares only through orderly market transactions or through marketed block trades. AstraZeneca has also agreed to a five year standstill (which can be waived by Innate), except to the extent necessary to maintain its stake or if a third party acquires or increases its stake beyond certain thresholds or launches a tender offer on Innate.

Except as explained above, to the knowledge of the Company, there are no other contractual restrictions on exercising voting rights or transferring Company shares.

There are no Company securities granting special control rights.

- **Shareholder system for personnel**

The Company has not set up any shareholder system for personnel likely to include control mechanisms when control rights are not exercised by the personnel.

- **Appointment and replacement of the Supervisory and Executive board members and amendment of the by-laws.**

The rules for appointing and replacing members of the Supervisory Board and Executive Board and the rules concerning amendment of the by-laws are the rules of common law stated in the Company's by-laws.

- **Executive Board power for issuance and buy-back of shares**

With regard to issuance and buy-back of shares, the Executive Board has notably the powers of common law. A description of the delegations of power granted to the

Executive Board by the General Meeting currently in effect and their use appear in paragraph 4.1.6 above. Furthermore, the description of the authorization given to the Executive Board by the general meeting to manage Company shares appears in paragraph 4.1.6 above.

- **Change of control clauses (amended version)**

In the event of a change of control, the following agreements may be amended or terminated:

- The Company's co-promotion rights under the agreements signed with Medimmune Limited may be terminated;
- The terms and conditions of the BSAAR plans provide for the possibility for the beneficiaries to exercise their warrants early.

- **Compensation to the Executive Board or employees in case of resignation or dismissal without fair cause or in case of termination following a public exchange offer for shares**

Other than the legal and regulatory provisions applicable and what is described in paragraph 1.7 below, no member of the Executive Board or Company employee has any agreement specifying compensation in the event of resignation or layoff without genuine and serious cause if their employment is terminated as a result of a public offering.

The mandate agreement entered into between the Company and Mr. Mondher Mahjoubi (President of the Executive Board since December 30, 2016), provides that as consideration for a non-competition and a non-solicitation clause, Mr. Mondher Mahjoubi will benefit, as from the end of its functions as President of the Executive Board, from a fixed compensation equivalent to two years of remuneration (fixed and variable), which will be paid monthly on a 24-month period. It is specified that the Company may waive such non-competition and non-solicitation obligation at any moment as from the effective date of termination of Mondher Mahjoubi.

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2.2.8. Table of recommendations of AFEP/MEDEF Code not followed by the Company

AFEP MEDEF Code	NON COMPLIANCE	EXPLANATIONS
The Code recommends to describe the diversity policy applied to the Supervisory Board's members and the objectives of such policy, its implementation and the results obtained during the fiscal year (§ 6.2).	The Supervisory Board did not finalize its diversity policy during 2018 fiscal year.	The Supervisory Board started working on the diversity policy in 2018 to finalize it during the 2019 fiscal year. During the 2018 fiscal year, the Supervisory Board was made of women and men of various ages, nationality, with different professional backgrounds (see 1.1.2. and 1.2.1.), having varied and complementary areas, matching with the Company's activities and contemplated strategic challenges.
The Code recommends that all members of the Audit committee must get financial and accounting expertise (§ 1.5.1).	The Rules of Procedure of the Supervisory Board, in accordance with article L. 823-19 of the French Commercial Code, provides only one member of the Audit committee should present financial and accounting skills.	Gilles Brisson and Patrick Langlois were both top managers within big pharmaceutical groups during their careers (see paragraph 1.1.2.). In particular, Gilles Brisson was Chairman of the Executive Board of Rhône Poulenc Pharma SA and Patrick Langlois was Financial director at Rhône Poulenc Pharma SA and Aventis. They developed strong financial and accounting skills, specific to pharmaceutical companies. In addition, the Company's revenues, until now, mainly coming from partnerships, the Audit committee relies on Irina Staatz-Granzer and Mailys Ferrere skills in pharmaceutical companies' strategy and partnership.
The code recommends the renewal of members of the Supervisory Board for each. (§ 13).	The mandates of the members of the Supervisory Board are renewed at the same time and not in phases.	This choice is explained by the short duration of the mandates (two years), which allows for a renewal of the composition of the Company's Supervisory Board on a regular basis and so, in the Company's view, achieves the intended purpose. The two-year mandates duration is not an obstacle to the stability of the Supervisory Board (more of half of the Supervisory Board are members for longer than 8 years).

The Code recommends that the fixed remuneration of the executive directors shall be reconsidered at relatively long intervals, for example three years (§24.3.1)	The reference base wage of the members of the Executive Board and of the other members of the Executive committee is fixed annually by the Supervisory Board on the basis of a recommendation from the Compensation and nomination committee.	The Company complies with article L. 225-82-2 of the French Commercial Code (Law n°2016-1691, dated December 9, 2016 relating to the transparency, the fight against corruption and the modernization of the economic life), which provides for two shareholders' votes: An "ex ante" vote on the "principles and criteria of determination, allocation and distribution of fixed, variable and exceptional components of the total compensation and the benefits of all kinds" to be allocated to the corporate officers; and An "ex post" vote on the "fixed, variable and exceptional components of the total compensation and the benefits of all kinds paid or allocated under the previous financial year".

2.3. COMPENSATION

The terms and conditions of the equity instruments attributed to the Executive board members and the Peer Group definition are detailed under paragraph 2.1 of this Reference Document.

2.3.1. Principles and criteria of determination, allocation and attribution of the compensation ("Ex ante vote")

In accordance with articles L. 225-82-2 and L. 225-68 of the French Commercial Code, as modified by articles 4 and 5 and with Law 2016-1691 dated December 9, 2016, named "Sapin II" Law, which established an "ex ante" mandatory vote, the following paragraphs present the general principles of the compensation policy for the Supervisory and Executive Board members for the 2019 fiscal year.

This principles and criteria will be submitted to the approval of the shareholders at the next General Meeting, on May 22, 2019, deciding on the accounts for the 2018 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

The draft resolutions to be submitted to the approval of the General Meeting are in 2.3.1.4.

2.3.1.1. EXECUTIVE BOARD MEMBERS COMPENSATION

The Executive Board members' compensation is decided by the Supervisory Board upon recommendation of the Compensation and nomination committee. For the 2019 fiscal year, the compensation has been fixed according to the same general principles and composed of the same components than those applicable during the 2018 fiscal year, which are those described in this section.

The compensation of the Chairman of the Executive Board is paid under his social mandate and he's not bound to the Company by an employment contract. The other Executive Board members are remunerated under their employment contract and are not remunerated under their social mandate.

The compensation of the Executive Board members is determined according to the Company's strategy and

growth. It takes into consideration the Executive Board members' individual contribution in the achievement of the collective performance objectives and aims at aligning the corporate officer's long-term interests with the interests of the Company, the shareholders and the other stakeholders. For this, the variable components of the compensation are subject to the achievement of short-term operational performance objectives and long-term stock market performance. The compensation of the Executive Board members is determined in relation with the existing compensation policies in companies with similar size and maturity in the biotechnology sector in France, in Europe and in the US.

The compensation of the Executive Board members is made of the following components:

a short-term component including:

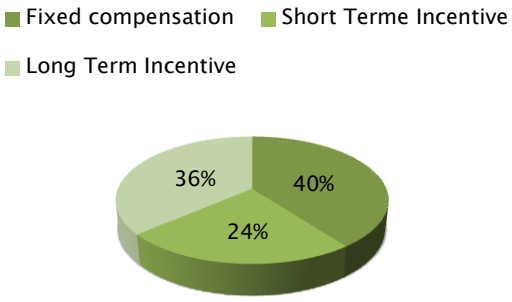
- a fixed compensation, which reflects the responsibility, the level of experience and the skills of each member; and
- an annual variable compensation remunerating the individual contribution to the annual collective performance, paid in cash. As from the 2017 fiscal year, a part could be paid in free shares[3] to interest the Executive Board members to the long-term value creation of the Company and encourage them, through the ownership of shares, to efficiently contribute to such value creation (see 2.3.1.1.2).

a **long-term incentive** or LTI: performance free shares (Performance free shares)(3), which interest the Executive Board members to the long-term results of the Company, retain them and align their interests on the shareholders' interests; and

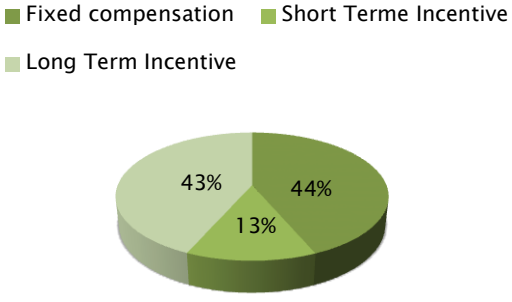
other benefits attached to the exercise of the Executive Board members including a supplementary pension plan, in-kind benefits and an unemployment insurance (GSC) for the Chairman of the Executive Board.

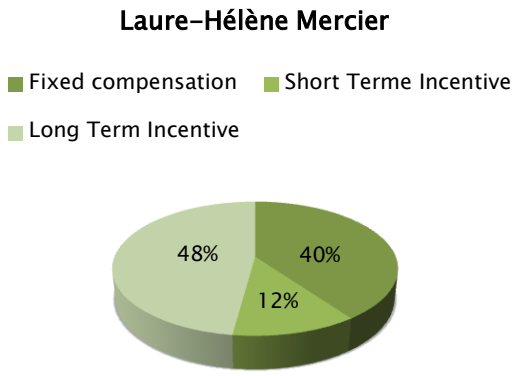
The graphics below show, for illustrative purpose, the part of each Executive Board member compensation component within their whole compensation for 2019. For the 2019 Performance free shares, a value amounting to €4.3 has been retained on the basis of a provisional calculation on January 23, 2019 by a financial expert.

Mondher Mahjoubi



Yannis Morel





2.3.1.1.1.Fixed compensation

The fixed compensation is determined on the basis of the general principles applicable to the Company's compensation policy.

The fixed compensation is also used as basis to determine the annual variable compensation of the Executive Board members.

For the 2018 fiscal year, the annual fixed compensation of the Executive Board members is:

	2019 Fixed compensation in €	Evolution between 2018 and 2019
Chairman of the Executive Board **Mondher Mahjoubi**	470,000	0%
Executive Board member, Product portfolio strategy & Business development **Yannis Morel**	216,000	+20%
Executive Board member, Chief Financial Officer **Laure-Hélène Mercier**	180,000	N/A

The compensation of the current Chairman of the Executive Board has been assessed at the time of his appointment on December 14, 2016 and evaluated according to standard market practices in comparable companies (Peer Group) and with respect to his previous compensation at AstraZeneca. It takes into account his specific expertise, coming from his experience in leading late stage development programs until the commercialization stage, into international pharmaceutical groups. As leader of the oncology area at AstraZeneca, Mondher Mahjoubi notably contributed to build the medico-marketing and commercial teams, significantly develop the oncology products pipeline and set up a leadership and differentiation strategy, which lead to the commercialization of two therapeutics innovations (Lynparza© and Tagrisso©) and to prepare the commercialization of their anti(PD-L1 (Imfimzi©) for the advanced bladder cancers. It is noted that by choosing to leave his function at AstraZeneca to become Chairman of the Executive Board of the Company, Mondher Mahjoubi has seen his compensation reduced by about (i) 15% regarding his fixed compensation, (ii) 20% regarding his variable compensation and (iii) 40% regarding its long-term compensation.

During the 2018 financial year, the Executive Board fixed compensation has not been increased.

For 2019, the Supervisory Board, upon recommendation of the Compensation and nomination committee does not contemplate to increase the fixed compensation of the Executive Board members.

For 2019, the Supervisory Board, upon recommendation of the Compensation and nomination committee, does not intend to modify the fixed compensation of the Executive Board members.

However, with regards to the actual context of growth of the Company and its fast development, the Supervisory Board wishes to keep such flexibility in the evolution of the fixed compensation of the Executive Board members in accordance with the above described principles and with respect to the growth context of the Company and its performance.

2.3.1.1.2.Annual variable compensation

- **Principles of determination**

At the beginning of the year, the Supervisory Board decides on, upon recommendation of the Compensation and nomination committee, the part of the annual variable compensation, expressed as a percentage of the fixed compensation and the individual objectives to be achieved as well as their weights.

For 2019 fiscal year, the Supervisory Board, upon recommendation of the Compensation and nomination committee has decided not to modify the proportion of the Executive Board members' annual variable compensation.

Thus, for the 2019 financial year, the annual variable compensation of the members of the Executive Board may represent, at most, the following percentages and amounts of their fixed compensation:

	Maximum compensation			
	Maximum percentage of the fixed remuneration if:		Maximum amount of variable compensation if:	
Executive Board members	100% objectives are reached	Over performance (125%)	100% objectives are reached	Over performance
Chairman	60%	75%	€282,000	€352,500
Executive Board member "Product portfolio strategy & Business development"	30%	38%	€64,800	€82,080
Executive Board member "Chief Financial Officer"	30%	38%	€54,000	€68,400

At the end of the year (or at the beginning of the following year), the Supervisory Board, upon recommendation of the Compensation and nomination committee, determines the level of achievement of the individual objectives of the Executive Board members. In case of achievement of 100% of the objectives, 100% of the corresponding bonus is paid. In the event that 100% of the objectives are not achieved, the percentage of the bonus paid is in proportion to the percentage of the objectives achieved. In the event of performance beyond expectations, as observed by the Compensation and nomination committee, it may be decided to raise the bonus amount beyond 100%, within the limit of 125%. Moreover, in the event of an obviously exceptional performance, whose achievement could not have been taken into account in the definition of the objectives, the Supervisory Board, upon recommendation of the Compensation and nomination committee, may decide the payment of an exceptional bonus.

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- **2019 objectives**

The Compensation and nomination committee, on January 31, 2019, determined the corporate, functional and individual objectives of each Executive Board member and their weight.

The annual objectives are operational criteria which are in relation with the implementation of the Company's strategic plan and allow assessing the Company's performance within the achievement of such plan. Moreover, the long-term performance objectives used for the long-term compensation (see 2.1.1.3) are backed to stock market criteria to align the Executive Board members long term interests with the shareholders' interests.

The annual objectives of the members of the Executive Board are described on three levels:

The corporate objectives:

They represent the priority objectives necessary to achieve the Company's strategy. They are operational, adapted to the Company's strong growth and development context and shared by the entire Company. They are defined around three pillars:

- **Science**: whose main objective is the implementation and effective conduct of clinical programs and the execution of the development collaboration agreement entered into with AstraZeneca on October 22, 2018;
- **Commercial**: which aims to initiate the transition to a commercial biopharmaceutical company focused on oncology and biotechnology;
- **Finance**: the objective of which is to ensure the financing and continuity of the Company.

The corporate objectives are also composed of two organizational pillars, structural for the future of the Company: **the preparation and adequacy of the organization and the quality of work life**.

The functional objectives:

They make it possible to define, for each member of the Executive Board (excluding the Chairman of the Executive Board), the priority functional objectives corresponding to the responsibilities of the member concerned within the Company and the role of each member in the achievement of the Company's strategy;

The individual objectives of the members of the Executive Board:

They make it possible to assign each member of the Executive Board (excluding the Chairman of the Executive Board) annual objectives relating to an additional specific mission. The individual objectives are intended to enable the members of the Executive Board to extend and develop their skills and to enable the Company to gain in competitiveness and creativity.

The assessment criteria used to measure the achievement of the objectives included in the scientific, commercial and financial pillars (80% of the corporate objectives) are quantifiable criteria. The criteria used for the two other axes, the preparation and adequacy of the organisation and the quality of work life (20%), are both quantifiable (10%) and qualitative (10%) criteria.

The targets of each criterion, notably the criteria relating to the main pillars (science, commercial and finance) cannot be fully disclosed for strategic and confidential purposes.

The Supervisory Board determines the weighting of corporate criteria for each member of the Executive Board and assigns functional and individual objectives to each member (see above). The objectives of the Chairman of the Executive Board are 100% composed of corporate objectives because of their essential strategic aspect.

The table below shows the performance criteria determined for the corporate, functional and individual objectives of the Executive Board members as well as the internal measurement criteria which will be used by the Compensation and nomination committee at the end of the year (or at the beginning of the following year) to assess the level of achievement of each criterion:

Objectives and performance criteria	Measures of the criteria
Scientific leadership 45%	
– **Development of Lumoxiti**	– Achievement of new development milestones for Lumoxiti, as defined by the strategic plan, including regulatory milestones
– **Progress of the clinical pipeline**	– Achievement of clinical objectives defined under the strategic plan for monalizumab and IPH4102, including recruitment objectives

	– Achievement of the objectives as defined by the plan, including completion of the regulatory filing for IPH5201
Finance 20%	
– **Development of the company's shareholder base**	– Objectives of ownership of the share capital by identified investors, as defined in the strategic plan
Commercial performance	
– **Commercialization of Lumoxiti**	– Achievement of pre-determined sales objectives and key performance indicators
Preparation and adequacy of the organization 15%	
– **Commercial structure**	– Objectives for structuring the organisation necessary for the commercialization of Lumoxiti in the United States
Great place to work 5%	
Maintaining a high level of employees involvement	– Achievement of a predefined percentage of satisfaction on employees' quality of work life

- **Individual contribution of the Executive Board members for 2019**

Objectives and performance criteria	Mondher Mahjoubi	Yannis Morel and LH Mercier
Scientific leadership	**45%**	**27%**
– **Development of Lumoxiti**	10%	6%
– **Progress of the clinical pipeline**	10%	6%
– **Progress of the preclinical pipeline**	25%	15%
Finance	**20%**	**12%**
– **Development of the company's shareholder base in the United States**		
Commercial performance	**15%**	**9%**
– **Commercialization of Lumoxiti**		
Preparation and adequacy of the organization	**15%**	**9%**
– **Implementation and structuring of the organization necessary for the marketing of Lumoxiti in the United States**		
Great place to work	**5%**	**3%**
– **Maintaining a high level of employees involvement**		
TOTAL	**100%**	**60%**

- **2019 Functional and individual criteria for Yannis Morel**

Functional objectives: Global Portfolio Strategy et Business Development 30%		
Objectives and performance criteria	Measures of the criteria	Weighting
– **Respect of the budget related to the activities of the Global Portfolio Strategy**	– Budgetary objectives as defined in the budget plan	5%
– **Partnerships**	– Conclusion of a target number of partnerships	5%
– **Progress of the clinical portfolio**	– Achievement of clinical objectives as defined by the strategic plan for monalizumab and IPH5401	15%
– **Expansion of the preclinical portfolio**	– Achievement of a target number of projects in the preclinical portfolio	5%
Individual objective: 10%		
– **Implementation of the partnership with AstraZeneca**	– Successful completion of the partnership and associated contractual obligations	10%

- **2019 Functional and individual criteria for Laure-Hélène Mercier**

Functional objectives: Finance 30%		
Objectives and performance criteria	Measures of the criteria	Weighting
– **Lead the financial and legal structuring necessary for the commercialization of Lumoxiti**	– Evaluation of the organizations in place at the end of 2019	10%
– **Consolidate the Company's funding perspectives**	– Achievement of funding objectives as described in the strategic plan	10%
– **Strengthen financial control procedures**	– Achievement of objectives for the implementation of new processes and tools	5%
– **Budget compliance**	– Compliance with budgetary objectives as described in the strategic plan	5%
Individual objective: 10%		
– **Develop interactions with the medical and scientific community**	– Participation in conferences and exchanges with the medical and scientific community	10%

- **Payment terms (AGA Bonus)**

Since 2017 fiscal year, with a view of interesting the Executive Board members to the Company's long-term creation value and encourage them, through the ownership of shares, to efficiently contribute to such value creation, the annual variable compensation may be composed of one part paid in cash and of another part paid in free shares (AGA Bonus), subject to the vote in favour of the General Meeting and the authorization to use such delegation granted by the Supervisory Board.

Each executive Board member can opt for the payment of one part of its annual variable compensation in AGA Bonus. The AGA Bonus will be attributed by the Executive Board, upon recommendation of the Compensation committee, after the Annual General meeting, according to the part of the annual variable compensation paid in AGA Bonus. Under option of the Executive Board member, 50% of the annual variable compensation is paid in free shares and such percentage will be increased by a 30% premium of the annual variable compensation paid in free shares in order to encourage such term of payment and compensate the absence of cash payment for the Executive Board members.

The number of AGA Bonus attributed will be determined according to their value in euros calculated on the weighted average of the last twenty stock market prices preceding the date of the General Meeting authorizing the attribution of AGA Bonus, without discount.

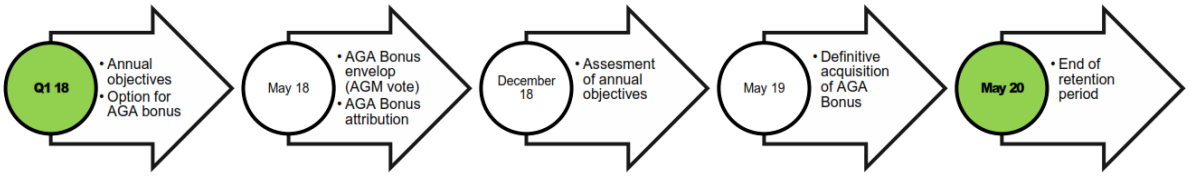
Then, immediately after the determination, by the Compensation and nomination committee, at the end of the year (or at the beginning of the following year) of the level of achievement of the objectives defined at the beginning of the year for the annual variable compensation in cash and the part of the annual variable compensation in AGA Bonus, the Executive Board will decide, for each of its members, on the number of AGA Bonus, which could be definitely acquired by the latters at the end of the acquisition period (one year following the attribution date) depending on the achievement of the objectives and subject to the vote in favour by the Annual general meeting under the vote on the variable components of the compensation to be paid for the previous fiscal year.

The AGA Bonus attributed (which will be Company's ordinary shares) will be subject, as provided by law, to a one-year acquisition period followed by a one-year retention period. The presence condition shall be observed over the same period than the annual performance.

The attribution of AGA Bonus is subject, in addition to the vote provided under article L. 225-82-2 of the French Commercial Code, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares.

In accordance with article L. 225-100 of the French Commercial Code, the annual variable compensation for 2019 fiscal year, will only be paid after having received the favourable ex post vote of the simple majority of the shareholders presents or represented at the 2020 annual general meeting voting on the 2019 accounts.

- The scheme below shows the attribution and acquisition process of the free shares attributed under the annual variable compensation:



2.3.1.1.3.Long-term incentive

To tie Executive Board members to the Company's pluriannual performance, the Supervisory Board (upon recommendation of the Compensation and nomination committee), suggested, subject to the vote in favour of the Annual General meeting of May 22, 2019, to attribute free performance shares to the Executive Board members (the "Free Performance Shares").

The Free Performance Shares are free shares attributed under articles L. 225-197-1 and seq. of the French Commercial Code, of which definitive acquisition, at the end of a three-year period, is subject to a presence condition and to performance conditions.

The number of Free Performance Shares attributed to each Executive Board member and the performance conditions are determined by the Supervisory Board before the Annual General Meeting authorizing such instrument, upon recommendation of the Compensation and nomination committee).

For 2019, a resolution on the Free Performance Shares of which performance conditions are based on the stock market value growth and benefit from two "vesting kickers" triggered by the achievement of internal conditions, will be submitted to the Annual General Meeting.

The level of achievement of the **stock market value condition** shall depend on the Final Price, meaning the highest average closing price of Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months prior to the definitive acquisition of the Free Performance Shares against the Initial Price, meaning the average closing price of the Innate Pharma shares on Euronext Paris for the sixty trading days prior to the Annual General Meeting of May 22, 2019.

The percentage of Free Performance Shares attributed, which will be definitely acquired will be determined as follows:

(a) 0% if the Final Price is lower than the Initial Price;

(b) Between 0% and 100% linearly if the Final Price is comprised between the Initial Price and two times the Initial Price;

(c) 100% if the Final Price is equal or above two times the Initial Price.

The **internal conditions** shall be deemed achieved if, over the three-year acquisition period of the Free Performance Shares:

- a Biologic License Application is filed with the Food and Drug Administration (FDA) in the United States or with the European Medicines Agency (EMEA) in Europe for one of its products and the application filing is approved, it being understood that, since the approval of the application filing by the FDA and the EMEA does not take place immediately upon filing, the determination of whether this condition is met will take place after the FDA or the EMEA, as applicable, has determined whether the application filing is approved or not and the condition will be met even if a positive response from the FDA or the EMEA is given after the three year performance period (the "Internal Condition 1"); and/or
- Lumoxiti treatment is the third-line leader in the treatment of Hairy Cell Leukemia in the United States, with at least one patient over two treated with Lumoxiti (the "Internal Condition 2").

In case of achievement of the Internal Condition 1 only, 50% of the Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 50% of Free Performance Shares may be acquired according to the stock market value condition as explained above.

In case of achievement of the Internal Condition 2 only, 25% of the Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 75% of Free Performance Shares may be acquired according to the stock market value condition as explained above.

In case of achievement of the Internal Condition 1 and the Internal Condition 2, 75% of the Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 25% of Free Performance Shares may be acquired according to the stock market value condition as explained above.

However, if between the date of definition of the Initial Price and the date of definition of the Final Price and the date of the definitive acquisition of the Free Performance Shares, one of the Reference Indexes (as defined below) were to experience a Significant Variation (as defined below), then the Executive Board will have the possibility to adjust the Initial Price and/or the Final Price to neutralize the exogenous impact of such a Significant Variation. The Executive Board shall, in this case, name a recognized independent expert to assist the Executive Board in the determination of such adjustments. The terms "Reference Indexes" mean the following stock market indexes: SBF 120, CAC 40, Next Biotech and NBI (NASDAQ Biotechnology Index). If one of these indexes were to be no longer available, the Executive Board can choose a replacement index.

The terms "Significant Variation" mean one or the other of the following events for the relevant index: the average of the closing value for the index over the sixty consecutive trading days prior to the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period) is inferior or equal to 90% of the average of the closing value for the index over the sixty consecutive trading days prior to the Annual General Meeting of May 22, 2019; the average of the closing value for the index over a sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 22, 2019 and the definitive acquisition date of the Free Performance Shares, is inferior or equal to 80% of the average of the closing value for the index over another sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 22, 2019 and the definitive acquisition date of the Performance Free Shares.

The attribution of Performance Free Shares is subject, in addition to the vote provided under article L. 225-82-2 of the French Commercial Code, to the shareholder's approval, at the vote conditions of the extraordinary general meetings, of resolutions allowing the creation and attribution of Performance Free Shares. Subject to the adoption of such resolution, the Executive Board may, upon recommendation of the Compensation and nomination committee and approval from the Supervisory Board, attribute Performance Free Shares to the Executive Board members.

For 2019, the Compensation and nomination committee held on January 31, 2019 suggested to attribute the following number of Performance Free Shares to the Executive Board members:

100,000 Performance Free Shares to the Chairman of the Executive Board;

50,000 Performance Free Shares to each other member of the Executive Board.

2.3.1.1.4. Other benefits

The Executive Board members benefit from the following social benefits and benefits in kind:

Company vehicle;

Supplemental health insurance, subscribed with AG2R Prémalliance, which terms and conditions are identical to the Company's employees (two different types of contributions depending on the family status);

Collective provision contract, subscribed with AG2R Prémalliance, which terms and conditions are identical to the Company's employees (management contribution applicable to the Executive Board members);

Complementary pension plan « article 83 » subscribed with AG2R Prémalliance, which terms and conditions are identical for all the Company's employees and financed by a contribution equivalent to 2% of the annual salary, including 1.20% paid by the Company;

The Company subscribed to a contract of unemployment insurance (GSC) for the Chairman of the Executive Board. Such contact guarantees the payment of an indemnity in case of unemployment (within the limit of 70% of the last professional income declared to the Tax administration), to the company leaders and corporate officers not entitled to the ASSEDIC unemployment benefits;

Mondher Mahjoubi's non-competition indemnity.

The Chairman's mandate agreement entered into between Mondher Mahjoubi and the Company provides that as consideration for a non-competition and a non-solicitation clause, Mondher Mahjoubi will benefit as from the end of its functions as Chairman of the Executive Board, from a fixed compensation paid monthly over a two-year period. However, the Company may, at any moment, waive such non-competition and non-solicitation obligation at any moment as from the end of the social mandate. In such case, the indemnity shall not be due. Such indemnification qualifies as undertaking under article L. 225-190-1 § 6 of the French Commercial Code and was authorized by the Supervisory Board as provided under article L. 225-86 of the French Commercial Code.

2.3.1.1.5. Exceptional attributions of free shares for new executives

Subject to the approval of the General meeting, upon recommendation of the Compensation and nomination committee and approval of the principle by the Supervisory Board, the Executive Board may attribute free shares to executives (employees and/or executive officers) newly appointed.

The possibility to attribute free shares in case of recruitment of a new executive is made for the purpose of attracting and keeping high level profiles by granting them compensation in line with market practices, while preserving the cash position of the Company.

Such free shares have a three-year acquisition period as from the attribution with a presence condition.

With regards to the development stage of the Company and its stock value evolution, the free shares value, at the end of the three-year acquisition period, shall reflect the Company's performance (and thus the performance of the Executive Board member who contributed to such performance).

The number of free shares attributed under the authorization will be 50,000 free shares.

The attribution of free shares is subject, in addition to the vote provided under article L. 225-82-2 of the French Commercial Code, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares.

2.3.1.2. SUPERVISORY BOARD MEMBERS COMPENSATION

The Supervisory Board members' compensation is made of attendance fees. As from the beginning of 2017 fiscal year, the Chairman of the Supervisory Board is no longer remunerated with attendance fees but benefits from a distinct compensation.

2.3.1.2.1.Attendance fees

The Company pays attendance fees to the members of the Supervisory Board, except to the permanent representatives of Novo Nordisk A/S and Bpifrance Participations (shareholders of the Company and non-independent members of the Supervisory Board) and the Chairman of the Supervisory Board, who receive a fixed compensation under article L. 225-81 of the French Commercial Code (see paragraph 2.3.1.3.2).

The attendance fees include a fixed part for each member and a variable part depending on their presence to the Board and committees. The variable part depending on the presence to the meetings of the Supervisory Board and committees overrides the fixed part.

Having observed that the boards or Supervisory boards of SBF 120 companies received an average of €46,500 as compensation during the 2017 fiscal year[12], the Supervisory Board held on January 31, 2019, upon recommendation from the Compensation and nomination committee of the same day, decided to change the attendance fees allocation grid to increase the compensation related to the participation on boards and committees (and not the fixed compensation) of each Supervisory Board member (except the Chairman of the Supervisory Board), who received an average of €33,100 each during the 2018 exercise.

[12] Study from the Institut Français des Administrateurs post-AG 2018

The table below shows the allocation grid of the attendance fees applicable as from the 2019 fiscal year.

		2019
Envelope to be voted at the annual Shareholders' Meeting:		€240,000
Annual retainer	For a Board member	€15,000
Fees for Board attendance	For a Board member	€2,000
	Chairperson of the Board/Chairperson of Committee (Audit /compensation committees)	€3,500
Fees for Committee attendance	Committee Member	€1,300
	Committee Chairperson	€2,000
In case of telephone attendance, 50% of attendance fees are awarded		

The censor, who is called to the Supervisory Board meetings and has a consultative voice, is not remunerated under his mandate.

The possibility to pay such attendance fees is subject, in addition to the vote provided under article L. 225-82-2 of the French Commercial Code, to the shareholders' approval, at the vote conditions applicable to the ordinary general meetings, of the envelop mentioned above.

2.3.1.2.2.Chairman of the Supervisory board compensation

The Chairman of the Supervisory Board does not receive attendance fees, he receives a fixed compensation.

The Supervisory Board of December 14, 2016 decided that Hervé Brailly, as new Chairman of the Supervisory Board, will benefit from a specific compensation under article L. 225-84 of the French Commercial Code and would no longer be remunerated on the attendance fees envelop voted by the Ordinary general meeting. As non-independent member of the Supervisory Board, Hervé Brailly does not benefit from attendance fees.

The Supervisory Board of January 31, 2019, upon recommendation from the Compensation and nomination committee of the same day, decided to increase the fixed compensation of Hervé Brailly as Chairman of the Supervisory Board by €50,000 to a total of €100,000.

This increase in Hervé Brailly's fixed compensation was decided in view of his role as Chairman of the Company's Supervisory Board and the new strategic challenges that the Company will have to face in the coming years (marketing of Lumoxiti, progress on clinical programs,…), which will require more work from the Chairman of the Supervisory Board.

It is specified that this fixed remuneration is attached to the person of Hervé Brailly.

2.3.1.2.3.Compensation of Jean-Yves Blay's special mission

The Supervisory Board of September 14, 2018 entrusted Jean-Yves Blay, who was appointed on December 13, 2017, with a special mission (within the meaning of article L. 225-84 of the French Commercial Code).

Such special mission aims at providing an interface between the Supervisory Board and the Strategic Advisory Board and the compensation for such mission amounts to €10,000 per year.

Jean-Yves Blay receives attendance fees as Supervisory Board member.

Due to his functions as doctor and his other activities in relation with teaching and research, a service agreement was concluded. Such consultant agreement reflects the mission granted by the Supervisory Board and was subject to the regulated agreements procedure.

2.3.1.3. DRAFT RESOLUTIONS TO BE SUBMITTED TO THE SHAREHOLDER'S MEETING OF MAY 22, 2019

Resolution n° 15 – Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Executive Board for the 2019 fiscal year

The Shareholders' meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, approves, in pursuance of article L.225-82-2 of the French Commercial Code, the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Executive Board in such capacity, as described in section 2.1.1 of the corporate governance report attached to the report referred to in articles L.225-100 and L.255-102 of the French Commercial Code.

Resolution n° 16 – Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Executive Board members for the 2019 fiscal year

The Shareholders' meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, approves, in pursuance of article L.225-82-2 of the French Commercial Code, the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the members of the Executive Board in such capacity, as described in section 2.1.1 of the corporate governance report attached to the report referred to in articles L.225-100 and L.255-102 of the French Commercial Code.

Resolution n° 17 – Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Supervisory Board for the 2019 fiscal year

The Shareholders' meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, approves, in pursuance of article L.225-82-2 of the French Commercial Code, the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Supervisory Board in such capacity, as described in section 2.1.2 of the report on corporate governance attached to the report referred to in articles L.225-100 and L.255-102 of the French Commercial Code.

Resolution n° 18 – Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Supervisory Board members for the 2019 fiscal year

The Shareholders' meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, approves, in pursuance of article L.225-82-2 of the French Commercial Code, the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the members of the Supervisory Board in such capacity, as described in section 2.1.2 of the report on corporate governance attached to the report referred to in articles L.225-100 and L.255-102 of the French Commercial Code.

2.3.2. Compensation of the Executive board members and of the Chairman of the Supervisory board during the 2017 fiscal year ("Ex post" vote)

In accordance with articles L. 225-100 and L. 225-68 of the French Commercial Code, as modified by articles 4 and 7 of Ordonnance n°2017-1162 dated July 12, 2017 and Law n°2016-1691 dated December 9, 2016, named "Sapin II", which established a mandatory "ex post" vote, the following paragraphs present the fixed, variable or

exceptional components of the global compensation and benefits in kind paid or attributed for the previous fiscal year to the Chairman of the Executive Board, the members of the Executive Board and the Chairman of the Supervisory Board.

The variable or exceptional components of the compensation identified with a * in the tables below will be submitted to the shareholders' approval at the next General meeting to be held on May 22, 2019, deciding on the accounts for the 2018 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

Thus, the following paragraphs present the fixed, variable or exceptional components of the global compensation and benefits in kind paid, for the 2018 fiscal year to the Chairman and member of the Executive Board and the Chairman of the Supervisory Board.

Paragraph 2.3.2.1.5 of this Reference Document shows the equity instruments issued by the Company as well as their main characteristics.

2.3.2.1. Components of the compensation for the Chairman of the Executive Board and member of the Executive Board and the Chairman of the Supervisory Board for the 2017 fiscal year

2.3.2.1.1. Recapitulative table of the compensation components submitted to the "ex post" vote

The table below shows all components of the global compensation and benefits in kind paid or attributed[1] for the fiscal year ended on December 31, 2018 to *Mondher Mahjoubi, Chairman of the Executive Board*

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2018	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€470,000	Gross fixed compensation paid under the mandate agreement
Annual variable compensation*	€155,100	The Supervisory Board of December 12, 2018 upon recommendation of the Compensation and nomination committee of December 11, 2018 fixed the individual objectives' achievement of Mondher Mahjoubi to 105% (see 2.3.2.1.2). The amount of € 155,100 is equal to 50% of the achievement of 100% of the annual objectives (282,000/2), i.e. € 141,000 increased by the 5% over performance (282,000*5%), i.e. € 14,100, Mondher Mahjoubi having opted for the payment of 50% of his annual variable compensation, increased by a 30% premium in AGA Bonus (see paragraph 2.3.2.1.2).
Exceptional premium*	€ 116,129	The Supervisory Board of December 12, 2018, upon recommendation of the Compensation and nomination committee of December 11, 2018, and the Supervisory Board of January 31, 2019, upon recommendation of the Compensation and nomination committee of the same day, granted an exceptional premium to Mondher Mahjoubi due to his crucial role during the development collaboration with AstraZeneca on October 22, 2018 (see paragraph 2.3.2.1.2).
Free shares attribution (replacing a part of the payment in cash of the annual variable compensation)*	€269,152 [3]	Mondher Mahjoubi opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. On the basis of the objectives achievement recorded by the Compensation and nomination committee of December 11, 2018, it benefits from 36,225 AGA Bonus over the 36,225 AGA Bonus attributed by the Executive Board of July 3 2018 and corresponding to 50% of his annual variable

		compensation increased by a 30% premium [2]. An Executive Board will record, on July 3, 2019 at the earliest, the definitive acquisition of such 36,225 AGA Bonus so attributed (see 2.3.2.1.2).
Equity instruments paid under the pluriannual variable compensation	€233,100 [4]	The Executive Board of November 20, 2018, upon authorization of the Supervisory Board of May 29, 2018 decided upon recommendation of the Compensation and nomination committee of the same day, decided to attribute 70,000 Performance free shares to Mondher Mahjoubi.
Benefits in kind	€21 302	Corresponding to the amounts paid under "article 83", GSC insurance and the Company car.

(1) In accordance with article L. 225-100 of the French Commercial Code, the components with * (variable or exceptional components) shall only be paid after being approved at the simple majority by the shareholders present or represented

(2) The number of AGA Bonus attributed by the Executive Board of July 3, 2018, subject to the achievement of the objectives, was calculated on the basis of the weighted average of the 20 last trading days before July 3, 2018 (from June 5, 2018 to July 2, 2018), amounting to €5.06 per ordinary share of the Company

(3) AGA Bonus valued at the stock market value on December 31, 2018, amounting to €7.43 per ordinary share

(4) Attribution by the Executive Board of November 20, 2018 of 70,000 Performance free shares for the 2018 multiyear variable compensation, valued par an independent financial advisor at €3.33 per 2018 Free Performance Share as at December 31, 2018

The table below shows all components of the global compensation and benefits in kind paid or attributed[1] for the fiscal year ended on December 31, 2018 to *Yannis Morel, Product portfolio strategy & Business development and member of the Executive Board*

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2018	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€216,000	Gross fixed compensation paid under his working contract.
Annual variable compensation*	€35,510	The Supervisory Board of December 12, 2018, upon recommendation of the Compensation and nomination committee of December 11 2018, fixed the achievement of the annual individual objectives of Yannis Morel at 104.8% (see 2.3.2.1.2). The amount of € 35,510is equal to 50% of the achievement of 100% of the individual annual objectives (64,800/2), i.e. € 32,400 the 4.8% over performance (64,800*4.8%), i.e. €3,110, Yannis Morel having opted for the payment of 50% of his annual variable compensation, increased by a 30% premium in AGA Bonus (see paragraph 2.3.2.1.2).
Exceptional premium*	€27,450	The Supervisory Board of December 12, 2018, upon recommendation of the Compensation and nomination committee of December 11, 2018, granted an exceptional premium to Yannis Morel due to his crucial role during the development collaboration entered into with AstraZeneca on October 22, 2018 (see paragraph 2.3.2.1.2).
Free shares attribution (replacing a part of the payment in cash of the annual variable compensation)*	€61,847[3]	Yannis Morel opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. On the basis of the objectives achievement recorded by the Compensation and nomination committee of December 11, 2018, it benefits from 8,324 AGA Bonus over the 8,324 AGA Bonus attributed by the Executive Board of July 3, 2018 and corresponding to 50% of his annual variable compensation increased by a 30% premium. An Executive Board will record, on July 3, 2019 at the earliest, the definitive acquisition of such 8,324 AGA Bonus so attributed (see 2.3.2.1.2)[2].
Equity instruments paid under the pluriannual variable compensation	€166,500[4]	The Executive Board of November 20, 2018, upon authorization of the Supervisory Board of May 29, 2018, decided upon recommendation of the Compensation and nomination committee of the same day, decided to attribute 50,000 2018 Performance free shares to Yannis Morel.
Benefits in kind	€3,922	Corresponding to the amounts paid under "article 83" and the Company car.

(1) In accordance with article L. 225-100 of the French Commercial Code, the components with * (variable or exceptional components) shall only be paid after being approved at the simple majority by the shareholders present or represented

(2) The number of AGA Bonus attributed by the Executive Board of September 20, 2017, subject to the achievement of the objectives, was calculated on the basis of the weighted average of the 20 last trading days before September 20, 2017 (from August 23, 2017 to September 19, 2017), amounting to €10.90 per ordinary share of the Company.

(3) AGA Bonus valued at the stock market value on December 31, 2017, amounting to €4.75

(4) Attribution by the Executive Board of April 3, 2018 of 500 AGAP 2017 for the 2017 pluriannual variable compensation, valued par an independent financial advisor at €90 per AGAP 2017 as at April 3, 20018

The table below shows all components of the global compensation and benefits in kind paid or attributed for the fiscal year ended on December 31, 2018 to *Hervé Brailly, Chairman of the Supervisory Board*(1)

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2018	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€50,000	Specific compensation paid under article L. 225-84 of the French Commercial Code (see 2.1.2.2).
Exceptional temporary compensation	€100,000	Special mission entrusted to Hervé Brailly within the meaning of article L. 225-84 of the French Commercial Code (see 2.3.1.2.2).

(1) The Chairman of the Supervisory Board does not receive any variable compensation

2.3.2.1.2.Details of the compensation components

- **Annual variable compensation paid in cash**

The tables below show the annual objectives of the Executive Board members and their weighting as well as the percentage of achievement of each objective, as assessed by the Supervisory Board of December 12, 2018, upon recommendation of the Compensation and nomination committee on December 11, 2018.

The individual annual objectives of the Executive Board members were presented under the 2018 Say on Pay report and approved by the General meeting of May 29, 2018.

The individual annual performance criteria are divided, for each Executive Board member, into sub criteria with an achievement percentage for each member of the Executive Board.

The targets of each criterion cannot be disclosed for strategic and confidential purposes.

Mondher Mahjoubi: achievement of individual objectives in 2018

	Weighting	Achievement	Assessment criteria	Assessment
Scientific leadership				
Progress and diversification of the preclinical pipeline	40%	37.5%	Achievement of a number of target projects reaching development milestones, identification of the best targets for the development of Innate's own potential technologies and development of some projects	Number of target projects reaching the development milestones achieved. For IPH5401: starting of the phase 1 study evaluating IPH5401 in combination with durvalumab and recruitment of the first patient.
Progress of the clinical pipeline	30%	37.5%	Achievement of clinical objectives defined under the strategic plan	The clinical objectives defined under the strategic plan have been achieved and over performed (see above IPH5401, which entered into the clinical phase). For monalizumab: publication of communications during major scientific congress (AACR, SITC, ESMO), cohort extension under monalizumab trials and publishing of an article in "Cell". For IPH 4102: starting of an international phase II study announced for the first 2019 semester.

Financial discipline				
Compliance with the budget	15%	15%	Budget targets as defined under the strategic plan.	Objective achieved: financing of the Company through the development collaboration entered into with AstraZeneca on October 22, 2018.
Organization readiness				
Management of a « talent pool » within the Company	7.5%	7.5%	Identification of a « talent pool » and start of the development programs, including management trainings	Objective achieved: identification made in 2018 and implementation of a dedicated program of skills development.
Secure key positions			Collaboration with the Compensation and nomination committee members to set up a succession plan	Succession plan built up: identification of key positions and appropriate recruitment plan in case of succession issues.
Great place to work				
Improve working conditions	7,5%	7.5%	Implementation of new working conditions in 2018	Objective achieved: company-wide agreement on the work time flexibility signed in 2018.
Roll out the internal communication plan			Achievement of the steps to implement the plan	The actions defined under the communication plan were implemented.
Apply for a label rewarding the work environment quality			Obtaining a target percentage of satisfaction under an internal survey conducted with the employees	Internal survey on the level of employees satisfaction: 88% of the employees are proud to work for Innate Pharma.
TOTAL		**105%**		

Yannis Morel: achievement of individual objectives in 2018

	Weighting	Achievement	Assessment criteria	Assessment
Scientific leadership				
Progress and diversification of the preclinical pipeline	35%	32.5%	Achievement of a number of target projects reaching development milestones, identification of the best targets for the development of Innate's own potential technologies and development of some projects	Number of target projects reaching the development milestones achieved. For IPH5401: starting of the phase 1 study evaluating IPH5401 in combination with durvalumab and recruitment of the first patient.
Progress of the clinical pipeline	30%	37.5%	Achievement of clinical objectives defined under the strategic plan	The clinical objectives defined under the strategic plan have been achieved and overachieved (see above IPH5401, which entered into the clinical phase). For monalizumab: publication of communications during major scientific congress (AACR, SITC, ESMO), cohort extension under monalizumab trials and publishing of an article in "Cell". For IPH 4102: starting of an international phase II study announced for the first 2019 semester.
Partnerships	5%	6.3%	Conclusion of a target number of partnerships	Objective achieved and overachieved regarding the development collaboration entered into with AstraZeneca on October 22, 2018.
Financial discipline				
Compliance with the budget	15%	13,5%	Budget targets as defined under the strategic plan.	Achievement of 90% of portfolio budget targets.
Organization readiness				
Management of a « talent pool »	7.5%	7.5%	Identification of a « talent pool » and start of the development	Objective achieved: identification made in 2018

within the Company			programs, including management trainings	and implementation of a dedicated program of skills development.
Secure key positions			Collaboration with the Compensation and nomination committee members to set up a succession plan	Succession plan built up: identification of key positions and recruitment plan adapted to take into account the succession issues.
Great place to work				
Improve working conditions			Implementation of new working conditions in 2018	Objective achieved: company-wide agreement on the work time flexibility signed in 2018.
Roll out the internal communication plan	7,5%	7.5%	Achievement of the steps to implement the plan	The actions defined under the communication plan were implemented.
Apply for a label rewarding the work environment quality			Obtaining a target percentage of satisfaction under an internal survey conducted with the employees	Internal survey on the level of employees' satisfaction: 88% of the employees are proud to work for Innate Pharma.
TOTAL		**104.8%**		

- **Exceptional premium**

In accordance with the possibility provided under section 2.3.1.1.2 (i) of the 2017 Reference Document (Say on Pay Report – ex ante– Annual Variable compensation), the Supervisory Board of December 12, 2018 and January 31, 2019, upon recommendation of the compensation and nomination committee of December 11, 2018 and January 31, 2019, granted an exceptional premium to Mondher Mahjoubi and Yannis Morel.

The amount of such exceptional premium amounts to €116,129 for Mondher Mahjoubi and € 27,450 for Yannis Morel.

The exceptional premium was decided following the conclusion, with AstraZeneca, of the development collaboration on October 22, 2018 (see paragraph 2.3.2.1.1). Such collaboration lead the Company to go beyond the 2018 objectives (commercialization of Lumoxiti©), grant of multiple licenses, exercise of the option on monalizumab by AstraZeneca and subscription to the share capital by MedImmune (9.8%), a subsidiary of AstraZeneca, and the Supervisory Board considered that such deal must be taken into account for the 2018 financial year within the annual variable compensation of Mondher Mahjoubi and Yannis Morel, as an exceptional premium.

Such exceptional premium will be submitted to the shareholders' approval at the next General meeting to be held on May 22, 2019, deciding on the accounts for the 2018 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

- **Amount of the annual variable compensation to be paid in cash to the Executive Board members for 2018**

The annual variable compensation (in cash or AGA Bonus) will be submitted to the shareholders' approval at the next General meeting to be held on May 22, 2019, deciding on the accounts for the 2018 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

	Fixed compensation (€)	% of variable of fixed compensation	% of achievement of performance criteria	Total annual variable total 2018 (€)	Variable 2018 to be paid (€)(1)	Variable 2018 to be paid in AGA Bonus (€)	Exceptional premium (€)
Mondher Mahjoubi	470,000	60%	105%	296,100	155,100	269,152(2)	59,729
Yannis Morel	216,000	30%	104.8%	67,910	35,510	61,847(3)	27,450

(1) Mondher Mahjoubi and Yannis Morel having both opted for the payment of 50% of their annual variable compensation into AGA Bonus, 50% of this amount, increased by 100% of their over performance (5% for Mondher Mahjoubi and 4.9% for Yannis Morel) will be paid in cash (see 2.3.1.1.2)

(2) In July 2019, the Executive Board will record the definitive acquisition of 36,225 AGA Bonus corresponding to 50% of Mondher Mahjoubi's annual variable compensation increased by a 30% premium. On December 31, 2018, such AGA Bonus were valued at €269,152 (market value of €7.43 per share on December 31, 2018)

(3) In July 2019, the Executive Board will record the definitive acquisition of 8,324 AGA Bonus corresponding to 50% of Yannis Morel's annual variable compensation increased by a 30% premium. On December 31, 2018, such AGA Bonus were valued at €61,847 (market value of €7.43 per share on December 31, 2018)

2.3.2.1.3.Long-term incentive – Distribution of performance free shares

The attributions of Free Performance Shares[13] consist in the attribution of free shares, under article L. 225-197-1 and seq. of the French Commercial Code, which definitive acquisition, at the end of a three-year period, is subject to a presence condition and to performance criteria.

The performance conditions of the 2018 Performance free shares are based on the Company's stock market value evolution and benefit from a "vesting kicker" triggered by the achievement of an internal condition.

The level of achievement of the stock market value condition shall depend on the Final Price, meaning the highest average closing price of Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months prior to the definitive acquisition of the Performance Free Shares against the Initial Price, meaning the average closing price of the Innate Pharma shares on Euronext Paris for the sixty trading days prior to the Annual General Meeting of May 22, 2019.

The 2018 Free Performance Shares were attributed to the Executive Board members on November 20, 2018. The Initial Price was thus fixed to €6.07 and the Final Price (except in case of adjustment in case of Substantial Variation) to €18.21.

The internal condition shall be deemed achieved if, over the three-year acquisition period of the Performance Free Shares, a program of the Company's pipeline obtains a positive pivotal trail in the achievement of the primary criteria of efficiency predetermined.

The percentage of Performance Free Shares attributed, which will be definitely acquired will be determined as follows:

(a) 0% if the Final Price is lower than the Initial Price

(b) Between 0% and 100% linearly if the Final Price is comprised between the Initial Price and three times the Initial Price

(c) 100% if the Final Price is equal or above three times the Initial Price;

In case of achievement of the internal condition, half of the Performance Free Shares attributed will be automatically acquired (Vesting kicker) and the percentage of the other half of Performance Free Shares attributed that will be definitely acquired will be determined as explained above.

[13] Paragraph 2.3.2.1.5 of this Report shows the equity instruments issued by the Company as well as their main characteristics

Paragraph 2.3.2.1.5 of this Reference document details the performance condition and the characteristics of the 2018 Performance free shares.

Following the decision of the Supervisory Board of May 29, 2018, made upon the recommendation of the Compensation and nomination committee of March 30, 2018, the Executive Board, on November 20, 2018, used the delegation granted by the General Meeting of May 29, 2018 under its 19th resolution to attribute Performance free shares to the Executive Board members.

The table below shows such attribution:

Executive Board members	Number of 2018 Performance free shares attributed	% of maximum dilution(1)	Total value in €(2)
Mondher Mahjoubi	70,000	0.11%	€233,100
Yannis Morel	50,000	0.08%	€166,500

(1) On the basis of the number of shares of the non-diluted share capital on the date of the Executive Board attribution and assuming that the performance criteria of the 2018 Performance free shares have been fully achieved and give right to the definitive acquisition of 100% of the 2018 Performance free shares attributed.

(2) On the basis of the valuation made by an independent financial expert on December 31, 2018 by valuing one 2018 Free Performance Share to €3.33.

2.3.2.1.4. Summary of the equity instruments giving access to the share capital owned by the Executive board members and the Chairman of the Supervisory board

The table below summarizes the share equivalents of the equity instruments owned by the members of the Executive Board and the Supervisory Board as of December 31, 2018:

	BSAAR	BSA	AGAP Management 2016/2017[2]	AGA Performance 2018	AGA Management 2016[2]	AGA Bonus 2018[3]	TOTAL[4]	% of maximum dilution[1]
Hervé Brailly	350,000		100,000 [5]				450,000	0.70%
Mondher Mahjoubi	–	–	670,000 [6]	70 000	250,000	36,225	1,026,225	1,610%
Yannis Morel	88,000	–	140,000 [7]	50 000	–	8,324	286,324	0,45%
Total	**438,000**	**–**	**910,000**	**120 000**	**250,000**	**44,549**	1,762,549	**2,76%**

(1) On the basis of the number of shares of the non-diluted share capital on this Reference document and assuming that the AGAP have been fully converted (1 AGAP = 100 ordinary shares);

(2) In number of shares in case of maximum conversion

(3) Whose definitive acquisition will be acknowledged in July 2019

(4) In ordinary shares, in the event of maximum conversion of AGAP 2016 and 2017 and AGA Performance 2018

(5) 500 AGAP 2016 convertible into a maximum of 100,000 ordinary shares

(6) 3,000 AGAP 2016 convertible into a maximum of 600,000 ordinary shares and 700 AGAP 2017 convertible into a maximum of 70,000 ordinary shares

(7) 450 AGAP 2016 convertible into a maximum of 90,000 ordinary shares and 500 AGAP 2017 convertible into a maximum of 50,000 ordinary shares

2.3.2.1.5. Details of the equity instruments giving access to the share capital

This paragraph details the equity instruments issued by the Company.

Paragraph 2.3.2.1.4. of the 2018 Reference Document presents the number of equity instruments allocated and exercised as well as the potential dilution.

- **Free shares attributed to employees (AGA Employees)**

Instruments	Beneficiaries	Acquisition period	Retention period	Acquisition condition
AGA Employees	Employees	1 year	1 or 2 years depending on the plans [1]	Presence at the end of the acquisition period

(1) Two-year retention period for AGA 2016-1 and 2016-2 and one-year retention period for AGA 2017-1 and 2018-1

- **Free shares attributed to new executives (AGA New Members)**

Instruments	Beneficiaries	Acquisition period	Retention period	Acquisition condition
AGA New Members	New executives (employees and/or executive officers) of the Company or its consolidated subsidiaries	3 years	–	Presence at the end of the acquisition period

- **Free share attributed to Executive Board and Executive committee members as part of their annual variable compensation (AGA Bonus)**

Instruments	Beneficiaries	Acquisition period	Retention period	Acquisition condition
AGA Bonus 2018	Executive Board or Executive committee members having opted for such modality of payment of their annual variable compensation	1 year	1 year	Number of shares definitely acquired equal to the equivalent in cash of 50% of their annual variable compensation increased by a 30% premium

(2) See "Payment terms (AGA Bonus)"

- **2016 Free preferred shares (AGAP 2016)**

Instruments	Beneficiaries	Acquisition period	Retention period	Performance period (1)	Acquisition condition
AGAP 2016	Members of the Executive Board, of the Executive committee and employees	1 year	2 years	3 years	Presence at the end of the acquisition period (AGAP 2016-1: October 21, 2017; AGAP 2016-2: December 30, 2017). At the end of the retention period, determination of the performance ratio in proportion of the achievement of the performance criteria.

(1) The performance period corresponds to the sum of the acquisition period and the retention period

Performance criteria of AGAP 2016:

The AGAP 2016 may be converted into a maximum of 200 ordinary shares (depending on the achievement of performance criteria below) during a six-year and six-month period starting at the end of the retention period.

The number of ordinary shares to which the conversion of one AGAP 2016 will entitle will be equal to the sum of (i) a number of ordinary shares which will depend on the fulfilment of an internal condition (the "Internal Condition") and (ii) a number of Ordinary Shares which will depend on the fulfilment of a market condition as defined below (the "Market Condition") (together the "Performance Criteria").

The Internal Condition allowing calculating the conversion ratio of AGAP 2016 that can be converted will be determined as a function of the higher of the following two alternative criteria:

a) The first criterion is a function of the cash revenues of the Company relating to a present or future partnership or licensing agreement, cumulated over the period from 1 July 2016 to 30 June 2019 (the "Cash Revenues"):

(i) If the Cash Revenues are strictly inferior to 50 million Euros, the conversion ratio under the Internal Condition will be equal to 0;

(ii) If the Cash Revenues are equal or superior to 50 million Euros and inferior to 150 million Euros, the conversion ratio under the Internal Condition will be equal to:

[(Cash Revenues − 50) / 100] × 100

(iii) If the Cash Revenues are equal or superior to 150 million Euros, the conversion ratio under the Internal Condition will be equal to 100;

b) The second criterion is a function of the maturity of the portfolio of drug candidates developed by the Company during the three years before the Expiry Date of the Retention Period. "Drug candidates developed by the Company" mean Lirilumab, Monalizumab and IPH4102. For each of these products:

(i) In the event of the authorization by the competent regulatory authority in the United States or in Europe for the Company or one of its partners to carry out a Phase III trial or a clinical trial with a view to register a product, the conversion ratio under the Internal Condition will be equal to 50;

(ii) In the event of the authorization by the competent regulatory authority in the United States or in Europe for the Company or one of its partners to carry out two Phases III trials or clinical trials with a view to register two products and/or two different indications for one product, the conversion ratio under the Internal Condition will be equal to 75;

(iii) In the event of an acceptance from the European Medicines Agency (EMA) in Europe or the Food and Drug Administration (FDA) in the United States to examine a filing by the Company or one of its partners of a marketing authorization request, the conversion ratio under the Internal Condition will be equal to 100.

The Market Condition allowing calculating the conversion ratio of the AGAP 2016 into Ordinary Shares will be determined depending on the stock market price of the Innate Pharma share:

The terms "Initial Price" mean the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the allocation date of the AGAP 2016 by the Executive Board.

The terms "Final Price" mean the highest average closing price of the Innate Pharma share on Euronext Paris for the trading days over a period of sixty consecutive days calculated at any time during the three years prior to the Expiry Date of the Retention Period.

The term "High Price" means the Initial Price multiplied by two.

a) If the Final Price is strictly inferior to the Initial Price, the conversion ratio under the Market Condition will be equal to 0;

b) If the Final Price is between (i) a value equal or superior to the Acquisition price and (ii) a value inferior to the High Price, the conversion ratio under the Market Condition will be equal to:

[(Final Price / Initial Price) −1] x 100

c) If the Final Price is equal or superior to the High Price, the conversion ratio under the Market Condition will be equal to 100.

- **2017 Free preferred shares (AGAP 2017)**

Instruments	Beneficiaries	Acquisition period	Retention period	Performance period (1)	Acquisition condition
AGAP 2017	Members of the Executive Board, of the Executive committee and employees	1 year	2 years	Between the date of the General Meeting and the end of the retention period	Presence at the end of the acquisition period (April 3, 2019). At the end of the retention period, determination of the performance ratio in proportion of the achievement of the performance criteria.

(1) The performance period corresponds to the sum of the acquisition period and the retention period

Performance criteria of AGAP 2017:

The AGAP 2017 may be converted into a maximum of 100 ordinary shares (depending on the achievement of performance criteria below) during a six-year and six-month period starting at the end of the retention period.

The number of ordinary shares to which the conversion of one AGAP 2017 will entitle will be equal to a number of ordinary shares which will depend on the fulfilment of a market condition (the "Market Condition").The Market Condition allowing to calculate the conversion ratio of AGAP 2017 in ordinary shares will be determined based on the relative performance of Innate Pharma shares.

The terms "Initial Price" mean the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the General Meeting of June 23, 2017.

The terms "Final Price" mean (i) the highest average closing price of the Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months period prior to the Expiry Date of the Retention Period, or (ii) in case of a tender or exchange offer whose definitive results are announced on the latest on the Expiry Date of the Retention Period, the price at which such tender offer is made (or, in case of an exchange offer exclusively, the implied price of such exchange offer, by applying the exchange ratio to the closing price of the offeror's share on the eve of the Modified Expiry Date of the Retention Period).

a) If the Final Price is inferior or equal to the Initial Price, the conversion ratio will be equal to 0;

b) If the Final Price is comprised between the Initial Price and 30 euros, the conversion ratio will be equal to:

100 x [(Final Price – Initial Price)/ (30 – Initial Price)], rounded up to the next whole number

c) If the Final Price is equal or superior to 30 euros, the conversion ratio will be equal to 100.

However, if between the date of the General Meeting of June 23, 2017 and the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period), one of the Reference Indexes (as defined below) were to experience a Significant Variation (as defined below), then the Executive Board will have the possibility to adjust the Initial Price and/or the Final Price to neutralize the exogenous impact of such a Significant Variation. The Executive Board shall, in this case, name a recognized independent expert to assist the Executive Board in the determination of such adjustments.

The terms "Reference Indexes" mean the following stock market indexes: SBF 120, CAC 40, Next Biotech and NBI (NASDAQ Biotechnology Index). If one of these indexes were to be no longer available, the Executive Board can choose a replacement index.

The terms "Significant Variation" mean one or the other of the following events for the relevant index:

the average of the closing value for the index over the sixty consecutive trading days prior to the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period) is inferior or equal to 90% of the average of the closing value for the index over the sixty consecutive trading days prior to the General Meeting of June 23, 2017 ;

the average of the closing value for the index over a sixty consecutive trading days period at any time between the date of the General Meeting of June 23, 2017 and the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period), is inferior or equal to 80% of the average of the closing value

for the index over another sixty consecutive trading days period at any time between the date of the General Meeting of June 23, 2017 and the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period).

- **2018 Performance free shares**

Instruments	Beneficiaries	Acquisition period	Performance period	Acquisition conditio
2018 Performance free shares	Executive Board members, Executive committee members and employees	3 years	3 years	Presence at the end of the acquisition period (November 20, 2021). At the end of the acquisition period, determination of the performance ratio in accordance with the achievement of the performance criteria.

Performance criteria of 2018 Performance free shares:

At the end of the three-year acquisition period, the number of free shares definitely acquired will depend on (i) the presence condition and (ii) the level of achievement of performance conditions based on an external condition, the stock market value growth and a "vesting kicker" triggered by the achievement of an internal condition, as detailed below (the "**Performance Conditions"**).

The level of achievement of **the stock market value condition** will be determined based on the relative performance of Innate Pharma shares.

The **Final Price** means the highest average closing price of Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months prior to the definitive acquisition of the Performance Free Shares

The **Initial Price** means the average closing price of the Innate Pharma shares on Euronext Paris for the sixty trading days prior to the Annual General Meeting of May 29, 2019, i.e. €6.07.

The percentage of the 2018 Performance Free Shares attributed, which will be definitely acquired will be determined as follows:

(a) 0% if the Final Price is lower than the Initial Price

(b) Between 0% and 100% linearly if the Final Price is comprised between the Initial Price and three times the Initial Price

(c) 100% if the Final Price is equal or above three times the Initial Price.

The **internal condition** shall be deemed achieved if, over the three-year acquisition period of the 2018 Performance Free Shares, a program of the Company's pipeline obtains a positive pivotal trail in the achievement of the primary criteria of efficiency predetermined over the three-year period of.

In case of achievement of the internal condition, half of the 2018 Performance Free Shares attributed will be automatically acquired (Vesting kicker) and the percentage of the other half of the 2018 Performance Free Shares attributed that will be definitely acquired will be determined as explained above.

However, if between the date of definition of the Initial Price and the date of definition of the Final Price, one of the Reference Indexes (as defined below) were to experience a Significant Variation (as defined below), then the Executive Board will have the possibility to adjust the Initial Price and/or the Final Price to neutralize the exogenous impact of such a Significant Variation. The Executive Board shall, in this case, name a recognized independent expert to assist the Executive Board in the determination of such adjustments. The terms "Reference Indexes" mean the following stock market indexes: SBF 120, CAC 40, Next Biotech and NBI (NASDAQ Biotechnology Index). If one of these indexes were to be no longer available, the Executive Board can choose a replacement index.

The terms "Significant Variation" mean one or the other of the following events for the relevant index: the average of the closing value for the index over the sixty consecutive

trading days prior to the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period) is inferior or equal to 90% of the average of the closing value for the index over the sixty consecutive trading days prior to the Annual General Meeting of May 29, 2018; the average of the closing value for the index over a sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 29, 2018 and the definitive acquisition date of the 2018 Performance Free Shares, is inferior or equal to 80% of the average of the closing value for the index over another sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 29, 2018 and the definitive acquisition date of the 2018 Performance Free Shares.

- **2019 Performance Free Shares**

Instruments	Beneficiaries	Acquisition period	Performance period	Acquisition conditio
2019 Performance free shares	Executive Board members, Executive committee members and employees	3 years	3 years	Presence at the end of the acquisition period. At the end of the acquisition period, determination of the performance ratio in accordance with the achievement of the performance criteria.

Performance criteria of 2019 Performance free shares:

At the end of the three-year acquisition period, the number of free shares definitely acquired will depend on (i) the presence condition and (ii) the level of achievement of performance conditions based on an external condition, the stock market value growth and two "vesting kicker" triggered by the achievement of internal conditions, as detailed below (the "**Performance Conditions"**).

The level of achievement of **the stock market value condition** will be determined based on the relative performance of Innate Pharma shares.

The **Final Price** means the highest average closing price of Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months prior to the definitive acquisition of the Performance Free Shares.

The **Initial Price** means the average closing price of the Innate Pharma shares on Euronext Paris for the sixty trading days prior to the Annual General Meeting of May 22, 2019.

The percentage of the 2019 Performance Free Shares attributed, which will be definitely acquired will be determined as follows:

(a) 0% if the Final Price is lower than the Initial Price

(b) Between 0% and 100% linearly if the Final Price is comprised between the Initial Price and two times the Initial Price

(c) 100% if the Final Price is equal or above two times the Initial Price.

The **internal conditions** shall be deemed achieved if, over the three-year acquisition period of the 2019 Free Performance Shares:

- a Biologic License Application is filed with the Food and Drug Administration (FDA) in the United States or with the European Medecines Agency (EMEA) in Europe for one of its products and the application filing is approved, it being understood that, since the approval of the application filing by the FDA and the EMEA does not take place immediately upon filing, the determination of whether this condition is met will take place after the FDA or the EMEA, as applicable, has determined whether the application filing is approved or not and the condition will be met even if a positive response from the FDA or the EMEA is given after the three year performance period (the "Internal Condition 1"); and/or
- Lumoxiti treatment is the third-line leader in the treatment of Hairy Cell Leukemia in the United States, with at least one patient over two treated with Lumoxiti (the "Internal Condition 2").

In case of achievement of the Internal Condition 1 only, 50% of the 2019 Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 50% of 2019 Free Performance Shares may be acquired according to the stock market value condition as explained above.

In case of achievement of the Internal Condition 2 only, 25% of the 2019 Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 75% of 2019 Free Performance Shares may be acquired according to the stock market value condition as explained above.

In case of achievement of the Internal Condition 1 and the Internal Condition 2, 75% of the 2019 Free Performance Shares attributed will be automatically acquired (Vesting kicker) and the remaining 25% of 2019 Free Performance Shares may be acquired according to the stock market value condition as explained above.

However, if between the date of definition of the Initial Price and the date of definition of the Final Price and the date of the definitive acquisition of the Free Performance Shares, one of the Reference Indexes (as defined below) were to experience a Significant Variation (as defined below), then the Executive Board will have the possibility to adjust the Initial Price and/or the Final Price to neutralize the exogenous impact of such a Significant Variation. The Executive Board shall, in this case, name a recognized independent expert to assist the Executive Board in the determination of such adjustments. The terms "Reference Indexes" mean the following stock market indexes: SBF 120, CAC 40, Next Biotech and NBI (NASDAQ Biotechnology Index). If one of these indexes were to be no longer available, the Executive Board can choose a replacement index.

The terms "Significant Variation" mean one or the other of the following events for the relevant index: the average of the closing value for the index over the sixty consecutive trading days prior to the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period) is inferior or equal to 90% of the average of the closing value for the index over the sixty consecutive trading days prior to the Annual General Meeting of May 22, 2019; the average of the closing value for the index over a sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 22, 2019 and the definitive acquisition date of the Free Performance Shares, is inferior or equal to 80% of the average of the closing value for the index over another sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 22, 2019 and the definitive acquisition date of the Performance Free Shares.

- **Warrants (BSA)**

Until 2017, the Company issued BSA to the benefit of Supervisory Board members and some consultants.

The BSA still in force are detailed in Chapter 4.1 of the 2018 Reference Document.

Following the AMF position dated June 5, 2018, the Company decided to no longer issue BSA other than BSA at market conditions and to the benefit of Supervisory Board members (see paragraph 2.2.2.2.).

- **Redeemable equity warrants (BSAAR)**

Mean the redeemable equity warrants or BSAAR, which are securities whose subscription price and exercise price are fixed at their fair value as determined by an expert. The BSAAR subscription therefore represents an investment on the part of the beneficiary. At the end of the exercise period, if they have not been exercised, the BSAAR becomes void. The Company benefits from a clause called «forcing» making it possible to encourage holders to exercise their redeemable equity warrants when the market price exceeds the exercise price and reaches a threshold defined in the BSAAR issuance agreement. The Company may, then, subject to a time period for notifying holders that will permit them to exercise the BSAAR, decide to reimburse the warrants not exercised at a unit price equal to the BSAAR acquisition price paid by its holder.

The BSAAR still in force are detailed in Chapter 4.1 of the 2018 Reference Document.

2.3.2.2. COMPENSATION OF THE SUPERVISORY BOARD MEMBERS DURING THE 2018 FISCAL YEAR

2.3.2.2.1. Attendance fees

The Annual General Meeting of May 29, 2018 voted a total amount of €200,000 in attendance fees. This amount is distributed among the members of the Supervisory Board according to a calculation, which depends on their rate of attendance at meetings and their responsibility in committees.

The table below shows the attendance rate of the Supervisory Board members during the 2018 fiscal year:

	Supervisory Board	Audit committee	Compensation and nomination committee	Transaction committee	% of presence
Hervé Brailly	100% (7/7)	–	100% (5/5)	100% (1/1)	**100%**
Irina Staatz-Granzer	100% (7/7)	100% (4/4)	–	100% (1/1)	**100%**
Gilles Brisson	100% (7/7)	100% (4/4)	100% (5/5)		**100%**
Novo Nordisk A/S	100% (7/7)			0% (0/1)[(1)]-	**50%**
Bpifrance Participations (Mailys Ferrere)	100% (7/7)	100% (4/4)	–	–	**100%**
Patrick Langlois	100% (7/7)	100% (4/4)	100% (5/5)		**100%**
Véronique Chabernaud	100% (7/7)	–	100% (5/5)	–	**100%**
Jean-Yves Blay	71% (5/7)	–	–	–	**71%**

(1) During the 2018 financial year, the Transaction committee met once to make its recommendations on the development collaboration with AstraZeneca; To avoid any conflict of interest, Novo Nordisk A/S did not attend such meeting.

On the basis of such elements and the allocation grid applicable during the 2018 fiscal year, the Company paid attendance fees to the members of the Supervisory Board in 2018 amounting to €165,500 allocated as follows:

	Amount of the attendance fees paid (€)
Irina Staatz-Granzer	28,750
Gilles Brisson	43,750
Patrick Langlois	43,500
Véronique Chabernaud	28,500
Jean-Yves Blay	21,000

2.3.2.2.2. Warrants (BSA)

- **Warrants (BSA) attributed in 2018**

In accordance with AMF recommendation dated June 5, 2018, which recommends ceasing the issuance of warrants that would not be at market conditions to the benefit of Supervisory Board members, the Company decided not to use the authorization granted by the General Meeting of May 29, 2018 and did not issue warrants to the benefit of Supervisory Board members in 2018.

- **Warrants (BSA) held by the Supervisory board members**

The table below summarizes the BSA held by the members of the Supervisory Board on December 31, 2018:

Equity instruments	BSA						BSAAR	
Equity instruments	BSA 2011-2	BSA 2013	BSA 2014	BSA 2015-1	BSA 2015-2	BSA 2017-1	BSAAR 2011	BSAAR 2015
Date of shareholders meeting	06/29/11	06/28/13	03/27/14	04/27/15	04/27/15	06/23/16	06/29/11	04/27/15
Date of decision of the Executive board or Executive Committee	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/17	09/09/11	07/01/15
Hervé Brailly	-	-	-	-	-	-	200,000	150,000
Gilles Brisson	25,000	-	-	15,000	-	10,000	-	-
Patrick Langlois	-	-	-	-	-	7,000	-	-
Irina Staatz-Granzer	25,000	-	-	10,000	-	10,000	-	-
Novo Nordisk A/S représentée par Marcus Schindler	-	-	-	-	-	-	-	-
Bpifrance Participations représentée par Mailys Ferrere	-	-	-	-	-	-	-	-
Véronique Chabernaud	-	-	-	-	14,200	10,000	-	-

Jean-Yves Blay	-	-	-	-	-	-	-	-
Starting date of the exercise period	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/19	09/09/11	07/01/15
Expiration date	07/29/21	07/17/23	07/16/24	04/27/25	07/01/25	09/20/27	09/09/21	07/01/25
Subscription prince	1.77€	2.36€	8.65€	9.59€	14.05€	1.10€	2.04€	7.20€
Unit valuation at the attribution date (IFRS2)	0.62€	0.87€	2.51€	6.59€	4.73€	0.57€	-	-

The table below summarizes the share equivalents of the circulating BSA held by the members of the Supervisory Board on December 31, 2018:

Supervisory Board members	Circulating BSA	% dilution(1)
Hervé Brailly(2)	0	0%
Irina Staatz-Granzer	45,000	0.07%
Gilles Brisson	50,000	0.08%
Novo Nordisk A/S(2)	0	0%
Bpifrance Participations (2)	0	0%
Patrick Langlois	7,000	0.01%
Véronique Chabernaud	24,200	0.04%
Jean-Yves Blay	0	0
TOTAL	126,200	0.20%

(1) On the basis of the shares forming the share capital on December 31, 2018, non-diluted.
(2) Non-independent members of the Supervisory Board were not eligible to the attribution of warrants

The independent members of the Supervisory Board do not hold any other equity instrument.

2.3.2.2.3. Termination of the special mission entrusted to the Chairman of the Supervisory Board

The special mission (within the meaning of article L. 225-84 of the French Commercial Code), which was entrusted to Hervé Brailly as Chairman of the Supervisory Board by the Supervisory Board of December 14, 2016, renewed by the Supervisory Board of December 13, 2017, terminated on December 31, 2018.

In accordance with article L. 225-84 of the French Commercial Code, Hervé Brailly's compensation under this mission, which amounted to € 100,000 for the 2018 fiscal year, was subject to regulated agreements rules provided under articles L. 225-86 and seq. of the French Commercial Code.

2.3.2.2.4. Jean-Yves Blay's special mission

Under his special mission (within the meaning of article L. 225-84 of the French Commercial Code, which was granted by the Supervisory Board of September 14, 2018 (see paragraph 2.1.2.3.), Jean-Yves Blay received €10,000 for the 2018 fiscal year.

2.3.3. Summary of the compensation according to AMF n°2009-16 recommendation: compensation, benefits, options and free shares given to members of the Executive board and Supervisory board members

The following table (Table 1) summarizes the compensation, options and ordinary shares allocated to each member of the Executive board for the last two fiscal years:

Table 1- Summary table of compensation, options and shares allocated to each member of the Executive board

Mondher Mahjoubi, Chairman of the Executive board	2018	2017
Compensation for the fiscal year (see details in Table 2)	762,531 (1)	621,898 (1)
Valuation of variable long-term compensation allocated during the fiscal year	290,500 (2)	-
Valuation of options allocated during the fiscal year	-	-
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) - Excluding additional social security charges	269,152 (3)	72,285.5 (3)
Total	**1,322,183**	**694,183.5**

(1) Compensation due under the social mandate, bonus paid in cash, exceptional compensation and benefits in kind

(2) Attribution on (i) April 3, 2018 of 700 AGAP 2017-1, under the 2017 variable long-term compensation, valued at €82 per AGAP by an independent financial firm on December 31, 2018 and (ii) on November 20, 2018 of 70,000 AGA Performance 2018-1, under the 2018 variable long-term compensation, valued at €3.33 per AGA Performance by an independent financial firm on December 31, 2018

(3) For 2018, 36,225 AGA Bonus valued at the stock value price on December 31, 2018, €7.43. For 2017, 15,218 Bonus valued at the stock value price on December 31, 2017, €4.75 (see 2.3.1.1.2)

Table 1- Summary table of compensation, options and shares allocated to each member of the Executive board

Yannis Morel, Executive board member	2018	2017
Compensation for the fiscal year (see details in Table 2)	282,882 (1)	246,804 (1)
Valuation of variable long-term compensation allocated during the fiscal year	207,500 (2)	-
Valuation of options allocated during the fiscal year	-	-
Valuation of free shares allocated during the fiscal year (see details in Tables 6 and 6-1) - Excluding additional social security charges	61 847 (3)	12,616 (3)
Total	**552,229**	**259,420**

(1) Compensation due under the working contract, bonus paid in cash, exceptional compensation and benefits in kind

(2) Attribution on (i) April 3, 2018 of 500 AGAP 2017-1, under the 2017 variable long-term compensation, valued at €82 per AGAP by an independent financial firm on December 31, 2018 and (ii) on November 20, 2018 of 50,000 AGA Performance 2018-1, under the 2018 variable long-term compensation, valued at €3.33 per AGA Performance by an independent financial firm on December 31, 2018

(3) For 2018, 8,324 AGA Bonus valued at the stock value price on December 31, 2018, €7.43. For 2017, 2,656 Bonus valued at the stock value price on December 31, 2017, €4.75 (see 2.3.1.1.2)

To the best of the Company's knowledge, no hedging instrument has been set up by the corporate officers at the date of this Reference document.

The following table (Table 2) summarizes the compensation allocated to each member of the Executive board for the last two fiscal years:

Table 2 – Compensation allocated to each member of the Executive board

Mondher Mahjoubi	**2018**		**2017**	
	Due	Paid	Due	Paid
Fixed compensation	470,000	470,000	470,000	470,000
Annual variable compensation (1)				0
– paid in cash	155,100	127,605 (3)	127,605	
– paid in AGA	269,152 (2)	72,285.5	72,285.5	
Variable compensation over several years for 2017	57,400 (4)	0	–	–
Variable compensation over several years for 2018	233,100 (5)	0	–	–
Exceptional compensation (6)	116,129	–	–	–
Attendance fees	–	–	–	–
Benefits in kind (7)	21,302	21,302	24,293	24,293
Total	**1,322,183**	**691,192.5**	**694,183.5**	**494,293**

Table 2 – Compensation allocated to each member of the Executive board

Yannis Morel	**2018**		**2017**	
	Due	Paid	Due	Paid
Fixed compensation	216,000	216,000	196,648	196,648
Annual variable compensation (1)				56,925
– paid in cash	35,510	46,305 (3)	46,305	
– paid in AGA	61,847 (8)	12,616	12,616	
Variable compensation over several years for 2017	41,000 (9)	0	–	–
Variable compensation over several years for 2018	166,500 (10)	0	–	–
Exceptional compensation (6)	27,450	–	–	–
Attendance fees	–	–	–	–
Benefits in kind (7)	3,922	3,922	3,851	3,851
Total	**552,229**	**278,843**	**259,420**	**257,424**

(1) See 2.3.1.1.2 for the detailed method of payment of the annual variable compensation

(2) Mondher Mahjoubi opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. Therefore, the Executive Board of July 3, 2018 has attributed 36,225 AGA Bonus 2018 to him, the number of AGA Bonus attributed was calculated on the basis of the weighted average of the 20 last trading days before July 3, 2018 (from June 5, 2018 to July 2, 2018), amounting to €5.06 per ordinary share of the Company. These 36,225 AGA Bonus 2018 have been valued at €269,152 on the basis of the stock value price on December 31, 2018, that is €7.43 per ordinary share

(3) For the variable compensation related to the 2017 annual performance paid in 2018

(4) Attribution on April 3, 2018 of 700 AGAP 2017-1, under the 2017 variable long-term compensation, valued at €82 per AGAP by an independent financial firm on December 31, 2018

(5) Attribution on November 20, 2018 of 70,000 AGA Performance 2018-1, under the 2018 variable long-term compensation, valued at €3.33 per AGA Performance by an independent financial firm on December 31, 2018

(6) See 2.3.2.1.1

(7) Company car and pension benefits. The pension benefits to the Executive board members are described under paragraph 2.3.1.1 of the Reference document and in note [2.3.1.1.4] in appendix to the 2018 Consolidated Accounts

(8) Yannis Morel opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. Therefore, the Executive Board of July 3, 2018 has attributed 8,324 AGA Bonus 2018 to him, the number of AGA Bonus attributed was calculated on the basis of the weighted average of the 20 last trading days before July 3, 2018 (from June 5, 2018 to July 2, 2018), amounting to €5.06 per ordinary share of the Company. These 8,324 AGA Bonus 2018 have been valued at €61,847 on the basis of the stock value price on December 31, 2018, that is €7.43 per ordinary share

(9) Attribution on April 3, 2018 of 500 AGAP 2017-1, under the 2017 variable long-term compensation, valued at €82 per AGAP by an independent financial firm on December 31, 2018

(10) Attribution on November 20, 2018 of 50,000 AGA Performance 2018-1, under the 2018 variable long-term compensation, valued at €3.33 per AGA Performance by an independent financial firm on December 31, 2018

The amounts given in the table above are gross pre-tax amounts. They include the advantage resulting from a collective retirement plan with defined contributions.

The following table (Table 3) summarizes the compensation allocated to each member of the Supervisory board for the last two fiscal years:

Table 3 – Compensation allocated to each member of the Supervisory board [1]

	Paid in 2019 for 2018	Paid in 2018 for 2017	Paid in 2017 for 2016
Hervé Brailly[2]			
Attendance fees	Nothing	Nothing	-
Other compensation	150,000	150,000	-
Gilles Brisson			
Attendance fees	43,750	47,750	47,713
Other compensation	Nothing	Nothing	Nothing
Irina Staatz Granzer			
Attendance fees	28,750	27,500	27,643
Other compensation	Nothing	Nothing	Nothing
Patrick Langlois			
Attendance fees	43,500	40,250	38,700
Other compensation	Nothing	Nothing	Nothing
Véronique Chabernaud			
Attendance fees	28,500	29,500	28,123
Other compensation	Nothing	Nothing	Nothing
Jean-Yves Blay [3]			
Attendance fees	21,000	5,609	-
Other compensation	10,000	Nothing	-

(1) As non-independent members of the Supervisory board, Novo Nordisk A/S, Bpifrance Participations and Hervé Brailly do not receive attendance fees. Olivier Martinez is not remunerated as censor.

(2) For 2018, Hervé Brailly received (i) €50,000 as Chairman of the Supervisory board and (ii) €100,000 as temporary exceptional compensation for his special mission (see 2.3.1.3.2)

(3) For 2018, Jean-Yves Blay received €10,000 as temporary exceptional compensation for his special mission (see 2.3.1.3.3)

The following table (Table 4) summarizes the equity instruments allocated to each company officer during the fiscal year. It replaces the summary of stock options granted during the year to each company officer by the issuer, not applicable for the year: see Table 6 below summarizing the same information.

For 2018, the long-term variable compensation of the Executive board members (AGA Performance Management 2018-1) was attributed on November 20, 2018 (see 2.3.1.1.3).

The following table (Table 5) summarizes the equity instruments exercised during the year by each company officer. It replaces the summary of stock options exercised by each company officer during the year.

Table 5 - Equity instruments exercised by each member of the Executive board during the year

Mondher Mahjoubi	-
Yannis Morel	-

The following table (Table 6) summarizes the free shares allocated to each company officer during the year:

Tableau 6 - Free ordinary shares allocated for each member of the Executive board(2)

	Date of the Executive board	Number of free shares (AGA Bonus) attributed(2)	Instrument valuation (3)	Definitive attribution (3)	Performance criteria
Mondher Mahjoubi	04/03/18	AGAP 2017-1	82€ (2)	700	04/03/21 (4)
	07/03/18	AGA Bonus 2018-1	7.43€ (3)	36,225	07/03/20 (5)
	11/20/18	AGA Performance 2018-1	3.33€ (2)	70,000	11/20/21 (6)
Yannis Morel	04/03/18	AGAP 2017-1	82€ (2)	500	04/03/21 (4)
	07/03/18	AGA Bonus 2018-1	7.43€ (3)	8,324	07/03/20 (5)
	11/20/18	AGA Performance 2018-1	3.33€ (2)	50,000	11/20/21 (6)

(1) In accordance with the recommendations issued by the Compensation and nomination committee, an Executive board shall record (i) in 2019, the definitive attribution of 700 AGAP 2017-1 and 36,225 AGA Bonus 2018-1 to Mondher Mahjoubi and 500 AGAP 2017-1 and 8,324 AGA Bonus 2018-1 to Yannis Morel and (ii) in 2021 the definitive attribution of 70 000 AGA Performance 2018-1 to Mondher Mahjoubi and 50 000 AGA Performance 2018-1to Yannis Morel

(2) Valued by an independent financial firm on December 31, 2018

(3) Stock market price on December 31, 2018

(4) One-year attribution period followed by a two-year retention period in accordance with Article L. 225-197-1 of the French code of commerce

(5) One-year attribution period followed by a one-year retention period in accordance with Article L. 225-197-1 of the French code of commerce

(6) One-year attribution period without retention period in accordance with Article L. 225-197-1 of the French code of commerce

(7) See 2.3.2.1.5

The Supervisory board members are not eligible to the attribution of free shares.

The following table (Table 7) summarizes the free shares available for each company officer during the fiscal year:

Table 7 – Free ordinary shares available for each member of the Executive board

	Date of decision of the Executive board	Number of available ordinary shares	Conditions for acquisition
Mondher Mahjoubi	–	–	–
Yannis Morel	–	–	–

The following table (Table 8) summarizes the history of allocation of equity instruments to the company officers as of December 31, 2018:

Table 8 – History of allocation of equity instruments to corporate officers (instruments in effect on December 31, 2018)

Equity instruments	BSA						BSAAR		Free shares				
Equity instruments	BSA 2011-2	BSA 2013	BSA 2014	BSA 2015-1	BSA 2015-2	BSA 2017-1	BSAAR 2011	BSAAR 2015	AGAP Management 2016 (1)	AGA Management 2016	AGAP Management 2017 (1)	AGA Bonus Management 2018 (2)	AGA Performance Management 2018 (1)
Date of shareholders meeting	06/29/11	06/28/13	03/27/14	04/27/15	04/27/15	06/23/16	06/29/11	04/27/15	06/02/16	06/02/16	06/23/17	05/29/18	05/29/18
Date of decision of the Executive board or Executive Committee	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/17	09/09/11	07/01/15	10/21/16 12/30/16	12/30/16	04/03/18	07/03/18	11/30/18
Total number of equity instruments that could be subscribed	350,000	300,000	150,000	150,000	150,000	150,000	1,000,000	1,500,000	5,000	350,000	4,000	90,000	300,000
Total number of shares that could be	225,000	237,500	150,000	70,000	14,200	40,000	650,000	1,050,382	1,000,000	300,000	400,000	67,028	260,000

subscribed following the Executive board allocation													
Number of equity instruments allocated to company officers and subscribed	132,500	100,000	75,000	35,000	14,200	37,000	300,000	346,500	4,400	250,000	1,200	44,549	120,000
Mondher Mahjoubi	–	–	–	–	–	–	–	–	3,000	250,000	700	36,225	70,000
Yannis Morel	–	–	–	–	–	–	–	88,000	450	–	500	8,324	50,000
Hervé Brailly	–	–	–	–	–	–	200,000	150,000	500	–	–	–	–
Gilles Brisson	25,000	–	–	15,000	–	10,000	–	–	–	–	–	–	–
Patrick Langlois	–	–	–	–	–	7,000	–	–	–	–	–	–	–
Irina Staatz-Granzer	25,000	–	–	10,000	–	10,000	–	–	–	–	–	–	–
Novo Nordisk A/S représentée par Marcus	–	–	–	–	–	–	–	–	–	–	–	–	–

Schindler													
Bpifrance Participations représentée par Mailys Ferrere	–	–	–	–	–	–	–	–	–	–	–	–	–
Véronique Chabernaud	–	–	–	–	14,200	10,000	–	–	–	–	–	–	–
Jean-Yves Blay	–	–	–	–	–	–	–	–	–	–	–	–	–
Starting date of the exercise period	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/19	09/09/11	07/01/15	10/21/17 ou 12/30/17	12/30/19	04/03/19	07/03/19	11/20/21
Expiration date	07/29/21	07/17/23	07/16/24	04/27/25	07/01/25	09/20/27	09/09/21	07/01/25	04/21/26 ou 06/30/26	–	10/03/27	–	–
Subscription prince	1.77€	2.36€	8.65€	9.59€	14.05€	1.10€	2.04€	7.20€	–	–	–	–	–
Total number of ordinary shares subscribed as of 12/31/19	120,560	153,640	75,000	–	–	–	395,000	1,940	–	–	–	–	–
Cumulated number of equity	–	–	–	–	–	–		2,720	450 (3)	–	0	0	0

instruments cancelled or lapsed													
Number of equity instruments outstanding as of 12/31/18	104,440	83,860	75,000	70,000	14,200	37,000	255,000	1,045,722	790,000	300,000	2,400	67,028	260,000

(1) The performance conditions associated to this instruments are detailed in Annex 2.3.2.1.5 of the 2018 Governance Report

(2) In accordance with the recommendations issued by the Compensation and nomination committee, an Executive board shall record, in 2019, the definitive attribution of 36,225 AGA Bonus to Mondher Mahjoubi and 8,324 AGA Bonus to Yannis Morel

(3) Nicolai Wagtmann resigned from his functions as member of the Supervisory board on June 23, 2017

The following tables summarize the stock options granted to the top ten employees who were not corporate officers and exercised by them (Table 9-1) and the equity instruments distributed during the year to the members of the Executive Committee of the Company excluding Executive Board members and the equity instruments exercised during the year (Table 9-2 and Table 9-3):

Table 9-1 – Stock options granted to the top ten employees who were not corporate officers and exercised by them

Nothing

Table 9-2 – Equity instruments allocated to Executive committee members excluding Executive board members

	Date of decision of the Executive board	Nature of the instrument	Aggregate number of instruments attributed during the fiscal year	Definitive acquisition date	Availability date	Performance criteria
Jérôme Tiollier	04/03/18	AGAP 2017-1	400	04/03/19	04/03/21	Stock market value of the Company
	07/03/18	AGA Bonus 2018	5,138 (2)	07/03/19	07/03/19	-
	11/20/18	AGA Performance 2018-1	30,000	11/20/21	11/20/21	Stock market value of the Company and internal criteria
Eric Vivier	04/03/18	AGA 2017-1	500	04/03/19	04/03/21	-
	07/03/18	AGA Bonus 2018	11,561 (2)	07/03/19	07/03/19	-
	11/20/18	AGA Performance 2018-1	50,000	11/20/21	11/20/21	Stock market value of the Company and internal criteria
Pierre Dodion(3)	04/03/18	AGAP 2017-1	400	04/03/19	04/03/21	Stock market value of the Company
	11/20/18	AGA Performance 2018-1	30,000	11/20/21	11/20/21	Stock market value of the Company

						and internal criteria
	04/03/18	AGAP 2017-1	400	04/03/19	04/03/21	Stock market value of the Company
	07/03/18	AGA Bonus 2018	5,780 (2)	07/03/19	07/03/19	-
Laure-Hélène Mercier	11/20/18	AGA Performance 2018-1	30,000	11/20/21	11/20/21	Stock market value of the Company and internal criteria

(1) Permanent guest to the Executive Committee

(2) In accordance with the recommendations issued by the Compensation and nomination committee, an Executive board shall record, in 2019, the definitive attribution of 5,138 AGA Bonus 2018 to Jérôme Tiollier, 11,561 AGA Bonus 2018 to Eric Vivier and 5,780 AGA Bonus 2018 to Laure-Hélène Mercier

(3) Pierre Dodion did not opted for the payment of a part of his compensation into free shares and does not benefit from AGA Bonus

Table 9-3 - Equity Instruments exercised by Executive committee members (excluding Executive board members) during the year

	Date of Executive board	Nature of the instrument	Aggregate number of instruments subscribed or purchased	Subscription price of the instrument	Exercise price
	-	-	-	-	-

The following table (Table 10) summarizes the history of the allocation of free shares, including the shares allocated from employee savings plan to company officers over the three last fiscal years:

Table 10 Allocation of free shares to each company officer(2)

	Date of Executive board	Number of free shares	Acquisition conditions
Mondher Mahjoubi	04/03/18	700 AGAP 2017-1	Presence and performance criteria (see 2.3.2.1.5)
	07/03/18	36,225 AGA Bonus 2018-1	Presence and performance criteria (see 2.3.2.1.5)
	11/20/18	A70,000 GA Performance 2018-1	Presence and performance criteria (see 2.3.2.1.5)

Yannis Morel	04/03/18	500 AGAP 2017-1	Presence and performance criteria (see 2.3.2.1.5)
	07/03/18	8,324 AGA Bonus 2018-1	Presence and performance criteria (see 2.3.2.1.5)
	11/20/18	50,000 AGA Performance 2018-1	Presence and performance criteria (see 2.3.2.1.5)

(1) The members of the Supervisory board are not eligible to free shares

The following table (Table 11) provides details concerning conditions of compensation and other benefits offered to each company officer during the fiscal year:

Table 11 – Additional information on conditions of compensation and other benefits offered to Executive board members

	Work contract	Complementary retirement savings scheme (3)	Benefits or advantages due or likely to be due in the case of retirement or change of position	Benefits due to non-competition clause
Mondher Mahjoubi, Chairman of the Executive board Start of term : 2017 End of term : 2019	Non	Oui	Non	Oui(1)
Yannis Morel, EVP Stratégie Prdouits & Business Development(2) Start of term : 2015 End of term : 2019	Oui	Oui	Non	Non

(1)The mandate agreement entered into between the Company and Mondher Mahjoubi, Chairman of the Executive board provides that in consideration for a non-competition and non-solicitation obligation, Mondher Mahjoubi shall receive, as from the end of his functions, a lump sum amounting to two years of fixed and variable compensation, which will be paid monthly on a 24-month period.

(2) Yannis Morel resigned from his mandate as Executive board member on December 14, 2016, with effect on December 30, 2016 and was appointed as member of the Executive board by the Supervisory board meeting of December 14, 2016, with effect on December 30, 2016. The Supervisory board meeting of December 14, 2016 authorized him to combinate his employment contract and his board mandate. It is understood that he does not receive any specific compensation for his board mandate in 2017, such as the other members of the Executive board.

(3) The characteristics of the collective retirement plan with defined contributions ("Article 83" retirement plan) are described in Note 20 j) of the Consolidated Accounts for the year ended December 31, 2018 contained in paragraph 3.3 of this Reference document.

Savings scheme amounted to 7,050 euros.

Table 12 – Summary of the equity interests in the Company held by the members of the Executive board, Supervisory board and Executive Committee as of March 6, 2018

Executive board, Supervisory board or Executive Committee	Number of shares directly owned (I)	Number of shares owned by related entities[1] (II)	Total (III) (I+II)	**Total number of new shares upon exercise of, warrants redeemable warrants, AGA and AGAP (IV)**	Total (III+IV)	Percentage of diluted capital[2]
Executive board members						
Mondher Mahjoubi	15,218	0	15,218	1,026,225	1,041,443	1.51%
Yannis Morel	57,593	0	57,593	286,324	343,917	0.50%
Supervisory board members						
Hervé Brailly	1,024,784	0	1,024,784	450,000	1,474,784	2.14%
Gilles Brisson	48,059	0	48,059	50,000	98,059	0.14%
Patrick Langlois	4,141	4,000	8,141	7,000	15,141	0.02%
Novo Nordisk	8,908,456	0	8,908,456	0	8,908,456	12.91%
Irina Staatz Granzer	100	0	100	35,000	35,100	0.05%
Véronique Chabernaud	10	0	10	24,200	24,210	0.04%
Bpifrance Participations	4,396,682	0	4,396,682	0	4,396,682	6.37%
Jean-Yves Blay	0	0	0	0	0	0.00%
Executive committee members [3]						
Pierre Dodion	372	0	372	177,000	177,372	0.26%
Laure Hélène Mercier	8,099	0	8,099	220,280	228,379	0.33%
TOTAL	14,463,514	4,000	14,467,514	2,249,029	16,716,543	24.23%
Other shareholders	49,465,141	0	49,465,141	2,806,921	52,272,062	75.77%
TOTAL	63,928,655	4,000	63,932,655	5,055,950	68,988,605	100.00%

(1) Related entities refer to entities with which the member has a capital, statutory or contractual relationship (employment or other contract).

(2) The diluted capital is calculated after the theoretical exercise of all options, company founder share subscription warrants and redeemable warrants and after a final allocation of the shares distributed free of charge on that date

(3) Jérôme Tiollier left the Executive Committee on December 31, 2018

2.4. EMPLOYEES

2.4.1. Employee shareholding

During the 2018 fiscal year, employees received the following attributions:

- Attribution of AGA Employees 2018 or
- Attribution of AGA Performance 2018.

However, the Executive board of January 14, 2019, authorized by the Supervisory board upon recommendation of the Compensation and nomination committee, attributed the following equity instruments, which were voted by the Annual General Meeting held on May 29, 2018:

Date of the Executive board	Nature of the instrument	Total number of instruments subscribed
01/14/2019	AGA 2018-1 Employees	90,650

The equity instruments attributed to the Executive board and Executive committee members are described under Table 8.

The Company's employees are or were, for most of them, beneficiaries of equity instruments such as stock options, free shares, warrants, redeemable warrants, AGA employees and/or AGAP Employees attributed between 2003 and 2016.

Under Article L. 225-102 of the French Commercial Code, the equity participation of employees (held in the registered accounts of the Company) amounts to 789,316 shares, representing 1.23% of the shares (of the undiluted share capital) issued on December 31, 2018 (716,374 shares representing 1.24% of the shares issued on December 31, 2017).

2.4.2. Employee profit sharing

There is no profit-sharing agreement.

2.4.3. Company savings plan

The Company created a company savings plan on October 29, 2004. This plan was replaced in December 2014 by a new company savings plan allowing investing in the Company's shares.

All employees who have worked with the Company for at least three months may join the plan. The plan is funded through voluntary contributions by employees and, potentially, profit sharing, employee share ownership, company contributions and blocked accounts that have matured, subject to such processes are put in place by the Company.

Any employee who wishes to make payments must commit to make a payment of at least 50 euros and the total amount paid in any one year may not exceed 25% of:

- Gross annual salary if still employed or retirement benefits if retired;
- The income received for the duties performed at the Company if a member of the Executive board.

The Company will cover its costs of operating the plan. No other specific contribution is required from the Company.

The amounts paid into an employee's account are available only after five years from the first day of the seventh month in the year of payment (*i.e.* July 1), or the first day of the fourth month of the fifth fiscal year following the one in which they were paid in (*i.e.* April 1) if the Company has set up a scheme with profit sharing. The amounts paid in are used to purchase mutual fund shares (five diversified mutual funds were created as part of this plan) as specified by the employee. If the employee does not provide any specification, the amounts paid in will be invested in a mutual investment fund devoted to this purpose and designated in the plan.

2.5. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURE

The internal control mechanism set up by the Company is based on the recommendations set out in "risk management and internal control reference framework: implementation guidelines for small and mid-cap companies", updated and published by the French Financial Markets Authority (AMF) on July 22, 2010.

As a reminder, the scope of internal control is not limited solely to procedures for making financial reporting more reliable.

The mechanism applies to both the parent company, Innate Pharma, and its wholly-owned subsidiaries, Innate Pharma Inc. and Innate Pharma France SAS. Internal control procedures specific to each subsidiary may be put in place in the future, based on their specific operations and risks.

2.5.1. Definition and objectives of internal control

Within the Company, internal control is a process set up by the Supervisory board, the Executive board, the Executive committee, the intermediate management and the employees.

It comprises a range of resources, behaviors, processes and actions adapted to the specificities of the Company and contributes to the control of its activities, the efficiency of its operations and the efficient use of its resources. It must also take into account the significant risks, whether operational, financial or compliance risks.

The internal control system aims at providing the Company with reasonable assurance that:

It is complying with the applicable laws and regulations;

It is applying instructions and strategic orientations such as determined by the management;

Its internal processes work well, notably those related to the protection of its assets; and

Its financial information is reliable.

The Company's internal control process contributes to the management of the risk that the Company will not achieve the objectives that it has self-imposed. The purpose of controlling risks related to the Company's operations and to accounting and financial information is aimed at: (i) providing managers with tools necessary for managing the business, (ii) providing shareholders and the public with reliable accounting and financial information and (iii) enabling the Company to comply with applicable laws and regulations.

The Company's internal control process is nevertheless essentially based on human operation. Thus, while it provides a reasonable degree of assurance, it cannot provide an absolute guarantee that the risks the Company faces are fully controlled.

2.5.2. Company policy regarding internal control

The internal control policy is based on the Company's objectives.

One of Innate Pharma's significant concerns is to ensure that its activities are controlled. The Executive management has therefore supported the installation and retention of a quality system based on ISO 9001 requirements, a mechanism of internal control and a risk management approach.

Because of its business model (which relies on capital increases), and the nature of its activity, (i.e. research and development of drug candidates in the immunotherapy field), the Company is highly exposed to various financial, legal, strategic and operational risks. Innate Pharma is therefore especially committed to identifying and controlling these risks and aims to be able to give its shareholders an accurate view of its risk environment. The implementation of actions aiming at reducing the risk is integrated to the quality system or the system of internal control based on the nature of the risks.

The Company considers its internal control mechanism to be a process of continuous and progressive improvement with the objective of complying with the internal control recommendations published by the AMF.

In order to formalize the control process, an internal control manual has been drafted and is regularly updated. It defines the Company's policy regarding internal control,

defines responsibilities (as well as all the decisions contributing to the control of the relevant activity) and to internal control.

2.5.3. Internal control responsibilities

By virtue of its mission, the Supervisory board is the primary participant in the Company's internal control system.

The Audit committee, the Compensation and Nomination committee and the Transaction committee are the key tools the Supervisory board has at its disposal in relation to internal control tasks.

Members of the Executive board, of the Executive committee, the intermediate management and the employees are the key players of the internal control process.

The Quality System and the Risk Management Mechanism are monitored by the Director Compliance in collaboration with the Director of Accounting & Finance, for aspects related to internal control and financial risks. The Director of Accounting & Finance is in charge of implementing, formalizing and monitoring the mechanism of internal control within the Company. He reports to the Executive board, to the President of the Audit committee and to the President of the Supervisory board.

2.5.4. Distribution of relevant information

2.5.4.1. EXTERNAL COMMUNICATION

As a listed company, the Company complies with strict rules relating to the distribution of information. A code of ethics stipulates that all staff have a duty of confidentiality with regard to certain information, and a code of stock market deontology defines the confidentiality and secrecy obligations relating to so-called sensitive or inside information. A list of permanent insiders was drawn-up and a list of occasional "insiders" (who are party to certain inside information) is drawn-up whenever specific information is considered to be privileged.

Press announcements are released on a regular basis by the Company. They are drafted internally and subject to a reviewing process involving the Executive board and the Supervisory board for strategic and financial information. Press releases comprising half-year or full-year financial accounts are also reviewed and discussed by the Audit committee.

The Reference Document provides the main financial information and notably a discussion on the Company's financial situation and results, the main risk factors, an overview of the activities as well as the governance rules. This document is updated on yearly basis.

Information about the Company can be accessed on its website www.innate-pharma.com.

2.5.4.2. INTERNAL COMMUNICATION

Internally, the Company has set up certain tools to distribute and share information.

Information regarding the Company's policies and objectives are discussed during regular "strategic goals" meetings with all of the employees. The Executive committee members share information regarding the Company and their own field with their teams through various ad hoc forums.

On a periodic basis, Executive committee reviews the strategic, budgeting and accounting information and reports to the Executive board and the Supervisory board.

For operational use, an Electronic Document Management (EDM) system is used to manage Quality System procedures, documentation related to the Company's activities and ensure that they are accessible.

2.5.5. Mapping and analysis of risks

The operational risks identified as of today are presented in Section 1.9 "Risk factors" of the Reference Document.

Risk mapping is one of the first and major steps for setting up and optimizing the internal control system and operational control. Indeed, identifying and evaluating the risks enables to identify actions to be defined for better risk and operation control:

The macro risk map has currently identified the following families of risks:

- Strategic;
- Operational;
- Financial;
- Related to fraud;
- Related to communication;
- Regulatory legal and related to intellectual property;
- Related to human resources;
- Related to hygiene, security of technical installations and environment;
- Related to IT systems

The risk mapping was updated in 2018 following a detailed review.

The residual risks as well as new control actions proposed were presented and discussed at the Audit committee.

In terms of financial and accounting information, the Company distinguishes three types of risks:

- Risks related to establishing the accounts and producing financial data, which could result from different dysfunctions arising from the accounting and financial processes themselves;
- Risks related to the disclosure and communication of financial information, with regards to the selection of indicators, the drafting of documents and the financial communication itself; and
- Market-related risks linked to foreign exchange risks on operating expenses and to variations of interest rates concerning cash flow and financial instruments.

In order to complete the approach described above, which directly derives from the control actions already in place, the Company also takes into account the conclusions given by its Statutory Auditors as well as their recommendations, which are discussed each year with the Audit committee and the Supervisory board. The matrix of key controls is currently being updated. The results of this external evaluation by the Statutory Auditors are presented and discussed with the Audit committee and with the Supervisory board.

2.5.6. Control environment

2.5.6.1. INTERNAL CONTROL PROCEDURES RELATING TO OPERATIONAL PROCESSES

Since its inception, the Company has adopted a quality approach based on ISO 9001 principles for its research and development activities in the field of immunotherapy medication.

The Quality System is one of the major mechanisms in place for monitoring the operational risks.

The Quality System is a major element of the operational risk management. The implementation of the procedures as described in the Quality System is subject to regular internal control audits.

2.5.6.2. INTERNAL CONTROL PROCEDURES RELATING TO ACCOUNTING AND FINANCIAL INFORMATION

The Company considers that risks regarding financial management are currently limited, for the following reasons:

- In general, the Company's Senior Management and more particularly the personnel of the Accounting and Finance Department are trained and experienced, and thus familiar with internal control matters and respond positively to the recommendations of the Audit committee and the Statutory Auditors,
- The Company utilizes independent experts for the evaluation of accounting entries that are complex or require significant management estimates (for instance for the free preferred shares allocated during the 2016 period);
- The half-year and annual accounts are reviewed by an external chartered accountant prior to the account's presentation to the Statutory Auditors;
- Independent consultants are retained to calculate provisions for retirement compensation and seniority awards;
- Payroll management is subcontracted to the external chartered accountant; and

- Responsibility for external financial communication is entrusted exclusively to the members of the Executive committee and to the department of Financial Communication and Investor Relations.

The Company has a regular dialogue with its Statutory Auditors, its Audit committee and/or with third-parties for the interpretation or adoption of new accounting standards be they French or IFRS adoption of new accounting as well as for measures related to internal controls.

The book of accounting and financial procedures defines the accounting principles, responsibilities of the personnel of the Accounting and Finance Department, as well as the main processes performed in the Company's operations.

2.5.6.3. INTERNAL CONTROL SYSTEM IN PLACE

Through the yearly update of risk, which mapping enabled risks and control actions to be reviewed and evaluated, and also through the work performed by the Statutory Auditors on internal control as part of their legal assignment, the Company believes that it possesses the necessary means for the implementation of appropriate control tools. This system complements the active role played by the Audit committee in this respect.

The Company also created a proprietary management information system, IP Center, which is gradually integrating the various management procedures likely to represent a risk in view of their economic significance for the Company. For example, a module for procurement was introduced in 2006 to ensure that no purchase order is issued by the Company without prior verification and authorization by the persons possessing the appropriate delegation. The computerization of this process has also improved accounting cut-offs between periods (separation of accounting years).

A dedicated purchasing function was also created. This person is responsible for price negotiation with suppliers as well as the verification of services performed before payment is made to the suppliers.

The management of contracts has been gradually integrated into the IP Center. The management module of the contracts enables the Company to gain a better appreciation of its commitments by providing a rapid and convenient overview of agreements signed or awaiting signature, and by matching the contractual information with the resulting accounting elements.

The IP Center, which operates as a database management system and extracts elements from various software programs, including the Company's own accounting software, is also the tool used for formalizing the budget process and monitoring this budget during the year. This monitoring was further improved through the installation of a module specific to the clinical activity, used to monitor the progress of current clinical trials based on two criteria: the number visits made by the patients included and the duration of the trial.

Time and activity management software was implemented in order to improve resource management and notably the identification of needs and the calculation of the allocation of resources per project. This software also contributes to improving the documentation relating to subsidies and research tax credit.

Risk matrices were formalized for the following accounting cycles of the Company: "Purchasing", "Payroll" and "Fixed Assets". These matrices identify, for each risk, the appropriate implemented risk control(s) covering this risk. In addition, in order to ensure the absence of conflicting functional responsibilities, a matrix of tasks across the organization has been set up. A matrix of controls on the closing process has also been formalized.

2.5.7. Monitoring and supervision of the internal control process

The Executive board monitors and supervises the internal control process and ensures that it is relevant and appropriate for the Company's objectives.

The continuous monitoring is part of the day to day activities and comprises regular checks conducted by the Executive committee. The existence of a quality management system contributes to the supervision of the process: it enables to control the changes related to the process and the documentation, to identify non-conformities, and to analyze the efficiency indicators of the defined processes.

Periodic supervision has also been set up, entailing an internal audit program. The internal audits program involves "quality" audits, allowing the evaluation of the implementation of the procedures which have been set up.

The Supervisory board is informed regularly and as needed, by the Executive board on the processes related to risk management and internal control. In addition, the results of each significant update of the risk mapping and the conclusions of the auditors, under their audit mission, on the past period are presented to the Audit committee.

The main conclusions of this evaluation are then reported to the Supervisory board by the Chairman of the Audit committee.

Despite the procedures and mechanisms stated previously, we identified during the 2017 period a significant deficiency of our internal control related to subcontracting clinical costs. This deficiency resulted from the use of two erroneous data in relation to a clinical study (date of the termination of the study and number of expected visits). Therefore, at the beginning of the year 2018, the Company modified its internal controls aiming to identify this type of issues in order to strengthen the appropriateness and effectiveness of its controls.

2.5.8. Summary of actions taken in 2018

In 2017, the Company initiated a work aiming to migrate the functionality of IP Center named « Clinique » into web format. Furthermore, a recovery test was implemented in order to ensure third parties would be able to solve issues related to IP Center (in case of unforeseen unavailability of the usual provider). At the end of 2018, the Company, supported by an external expert, performed a mapping of her information system before initiating a project aiming at implementing an ERP and a Human resources Information System (HRIS. This structuring project would start at the beginning of 2019.

Finally, the Company updated its Audit committee charter and supplemented it with a document describing the rules for the approval of Services Other than the Certification of Accounts.

2.5.9. Outlook

As part of its continuous improvement process, the Company aims to continue the work of convergence of the system of management of quality and the systems of internal control and risk management.

2.5.10. Conclusions on the internal control and risk management processes

In the light of the arrangements presented in this report, the level of formalization of the internal control mechanism is deemed to be satisfactory.

The manner in which the various management bodies are involved in internal control work provides a separation between the management activities of the Executive board and the Executive committee and the control functions of the Supervisory board and its various sub-committees.

The quality system, the internal control system as well as the meetings of the Executive board and of the Executive committee enables the Company to monitor and control its risks appropriately as they result from the macro risk map.

The Company is committed to continuing the use of the risk analysis methodology associating it with an integrated system of management of quality and internal control so it can become a proper tool for management and decision-making.

Innate Pharma also intends to continue to comply with regulations and market recommendations and to review market practices in order to maintain an appropriate standard in this area.

Regarding the financial risks related to the climate change, the Company did not identify a significant risk likely to have an impact on its activities.

2.6. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF INNATE PHARMA

The findings on the verifications made by the auditors on the Governance report are included into the Auditor's report on the annual accounts published on the Company's internet website;

CHAPTER 3 - FINANCIAL INFORMATION

3.1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION

Innate Pharma S.A. is a fully integrated 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 first-in-class clinical and preclinical candidates in cancers with high unmet medical need.

Innate Pharma has pioneered the discovery and development of checkpoint inhibitors, with a unique expertise and understanding of Natural Killer cell biology. This innovative approach has resulted in major alliances with leaders in the biopharmaceutical industry including Bristol-Myers Squibb, Novo Nordisk A/S, Sanofi, and a landmark and multi-products partnership with AstraZeneca.

Over the short-term, the Company's potential clients are patients receiving Lumoxiti and actors from the pharmaceutical industry, via development or license agreements. Over the long-term, the Company may be able to deliver itself other products of its pipeline to patients or through the intermediary of partners.

As at December 31, 2018, Innate Pharma SA fully owns a 100% participation into Innate Pharma, Inc and Innate Pharma France SAS.

Annual accounts of the Company prepared in accordance with generally accepted accounting principles in France (the "Annual accounts") for the fiscal year ended December 31, 2018 were approved by the Executive board on March 19, 2019 and can be found in section 3.3.3 of this Reference document. An analysis of the Annuals accounts of the Company prepared in accordance with generally accepted accounting principles in France for the years ended December 31, 2017 and 2018 is included in the management report ("Rapport de gestion") from the Executive board presented to the General meeting of shareholders on May 22, 2019 and an extract has been included in the appendix of this present Reference document.

The annual Consolidated accounts for the Company for the fiscal year ended December 31, 2018 were approved by the Executive board on March 19, 2019 and are presented in section 3.3 of this Reference document.

The analysis presented below is based on the Company's Consolidated accounts prepared under the IFRS GAAP as adopted by the European Union for the fiscal year ended December 31, 2018, and should be read in conjunction with these accounts given in section 3.3 of this Reference document.

3.1.1. Comparison of the last two fiscal years

3.1.1.1. SIGNIFICANT EVENT OF THE PERIOD

On October 23, 2018, the company signed a multi-term agreement with AstraZeneca, building on an existing collaboration, aimed at accelerating each company's oncology portfolio and bringing new medicines to patients more quickly. Under the terms of the agreement, Innate Pharma licensed the US and EU commercial rights to AstraZeneca's recently FDA-approved Lumoxiti for hairy cell leukemia and agreed to a $50 million initial payment. AstraZeneca obtained full rights to the first-in-class humanized anti-NKG2A antibody, monalizumab, in oncology, by exercising the $100 million option included in the initial collaboration announced in 2015. AstraZeneca gained option rights to IPH5201, an antibody targeting CD39 including an initial payment of $50 million, as well as to four, non-disclosed pre-clinical molecules from Innate Pharma's pipeline for a global $20 million initial payment. AstraZeneca also invested in a 9.8% equity stake (6,260,500 shares) in Innate at €10 per share. The accounting treatment of this multi-term agreement are presented below.

Lumoxiti license agreement

Following the licensing agreement signed with AstraZeneca for the purchase of the rights of Lumoxiti, the Company recognized an intangible asset amounting to €30.5 million. This amount corresponds to the $50 million initial payment (€43.5 million) paid to AstraZeneca in January 2019, reduced by $15.0 million (€13 million), which corresponds to the maximum amount to be financed by AZ for commercial and R&D costs for the fiscal year 2019 (cost sharing mechanism). This amount is amortized from November 1, 2018 to July 27, 2031 (end of the protection period of the composition of matter

patents, not including any potential patent extension nor other patents).

The agreement includes a transition period during which AstraZeneca is responsible for all aspects of the commercialization of Lumoxiti in the US up to mid-2020 at the latest. Innate Pharma will reimburse AstraZeneca for costs incurred other than in 2019 where there will be some sharing of costs. Innate Pharma will recognize the net result from the sales and expenses of Lumoxiti, which is presented on a single line item in the statement of income.R&D costs are recognized as operating expenses in the R&D line.

Monalizumab exercise of the option

The Company entered into a global co-development and commercialization agreement with AstraZeneca for monalizumab in April 2015. The Company received an initial payment amounting to $250 million on June 30, 2015 and $100 million on January 28, 2019 as the result of the exercise of the option. The recognition of these amounts as revenue in the statement of income is based on the percentage of completion of the works Innate Pharma is engaged to perform in the context of the agreement. The amount which is not recognized yet as revenue is deferred in the statement of financial position.

IPH5201 option agreement

The non-refundable initial payment of $50 million is recognized in the statement of income based on the percentage of completion of the costs Innate Pharma is engaged to expense in the context of the collaboration. The amount which is not recognized yet as revenue is deferred in the statement of financial position.

Pre-clinical molecules agreement

The initial payment of $20 million is recognized as deferred revenue in the statement of financial position. Each $5 million portion corresponding to each the four molecules will be recognized in the statement of income when AstraZeneca communicates to the Company its decision to exercise or not exercise each of the option.

Equity investment from AstraZeneca

The payment of €62.6 million has been received in October 2018. This is subsequent to the acquisition, by AstraZeneca, of a 9.8% equity position in Innate through the issuance of 6,260,500 new shares to AstraZeneca at €10/share. The payment of €62.6m has been accounted in Cash and cash equivalents.

3.1.1.2. NOTE ON CHANGE OF ACCOUNTING STANDARD DURING THE PERIOD

During the period, two new standards IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" became mandatory from January 1, 2018.

- IFRS 15 supersedes IAS 18 "Revenue", changes the accounting treatment of the revenue relating to the licensing and collaboration agreement signed with AstraZeneca in 2015. Under IFRS 15, the portion of the co-funding of R&D works performed by AstraZeneca is no longer recognized in R&D expenses but deducted from the recognition of the payment received by Innate Pharma at signing. This portion of co-funding is now recognized as a liability and no longer as deferred revenue in the balance sheet.

The Company has opted for the simplified transitional approach. In order to provide the most relevant comparison, it presents in its notes a 2017 restated column including the impact of the first application of IFRS 15. In all comments, the Company refers to the 2017 restated figures.

- Regarding financial instruments, IFRS 9 requires for non-derivative financial assets a change of name of the sub-categories of financial assets without, however, modifying the valuation principles of these assets, which remain either at fair value or amortized cost. The valuation models used by Innate Pharma remain unchanged.

3.1.1.3. OPERATING RESULT

3.1.1.3.1. Revenue and other income

Revenue and other income results from collaboration and licensing agreements and government financing for research expenditures. The Company's revenue and other income were €36.2 million and €94.0 million for the fiscal years ended December 31, 2017 restated and 2018 from the following sources:

Year ended December 31 (in thousand euros)	2018	2017 restated	2017
Revenue from collaboration and licensing agreements	79,892	24,819	32,631
Government financing for research expenditures	14,060	11,402	11,402
Revenue and other income	**93,952**	**36,221**	**44,033**

Revenue from collaboration and licensing agreements

Revenue from collaboration and licensing agreements amounted to €79.9 and €24.8 million for the fiscal years ended December 31, 2018 and 2017 restated, respectively. These revenues mainly result from the agreements signed with AstraZeneca in April 2015 and October 2018.

AstraZeneca – Monalizumab

The amounts recognized for the fiscal year 2018 are €61.5 million and €24.5 million for the fiscal year 2017 restated respectively. The percentage of completion has been determined on the basis of the costs recognized during the period compared to the total expected costs. As at December 31, 2018, the amount not yet recognized in revenue is €104.9 million (€54.7million as "Deferred revenue –Current portion" and €50.6 million as "Deferred revenue – Non-current portion").

AstraZeneca – IPH5201

The amount recognized for the fiscal year 2018 is €15.6 million. In addition to the recognition of the upfront payment, the Company invoiced back R&D costs to AstraZeneca for . The percentage of completion has been determined on the basis of the costs recognized during the period compared to the total expected costs. As at December 31, 2018, the amount not yet recognized in revenue amounts to 27.9 million, classified as "Deferred revenue –Current portion".

AstraZeneca – IPH5401

On January 30, 2018, Innate Phama announced that it has entered into a clinical trial collaboration with AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with selected solid tumors. Innate will sponsor the study with costs equally shared by both parties.

Government funding for research expenditures

The table below details the government financing for research expenditure for the fiscal years ended December 31, 2017 and 2018:

Year ended December 31 (in thousand euros)	2018	2017
Research tax credit	13,527	11,041
French and foreign public grants	533	361
Government financing for research expenditures	**14,060**	**11,402**

The calculation of the research tax credit is based on 30% of the amount of eligible expenses for the fiscal year.

The table below shows the amount of R&D expenses (net of grants) eligible for the fiscal years ended December 31, 2017 and 2018:

Year ended December 31 (in thousand euros)	2018	2017
R&D expenses eligible for the research tax credit	45,395	37,075
Grants received, net	(386)	(334)
Net expenses eligible for the research tax credit	**45,009**	**36,741**

Net expenses eligible for the research tax credit increased by 23% compared to the fiscal year 2017. For the fiscal year 2018, the rise in eligible expenses mainly results from the increase in staff costs and amortization expense relating to the anti-NKG2A intangible asset. The inclusion of this amortization expense for the calculation of the research tax credit results from the decision of the Administrative appeal court of Bordeaux to include this type of expenses (judgement date March 16, 2016 and confirmed by the State Council in December 2017).

The research tax credit is generally reimbursed by the French government four years after the fiscal year for which it is determined. However, since 2011, companies that meet the definition of small and medium sized enterprises ("SMEs") according to the European Union criteria are eligible for early reimbursement of their research tax credit receivable. The status of SME is lost when the criteria for eligibility are exceeded during two consecutive years. The Company meets these criteria and is able to benefit of this status and related advantages and in particular the early tax credit reimbursement. According to Management forecasts, the status may be lost at the end of the fiscal year 2019.

During the fiscal years 2017 and 2018, the income resulting from grants relates to an European grant in the context of the FP-7 Program and a grant under the FEDER Program. These grants directly impact our income statement, as opposed to repayable loans which are recorded as debt and thus only impact our balance sheet.

3.1.1.3.2. Operating expenses by business function

The table below gives a breakdown of net operating expenses by business function for the fiscal years ended December 31, 2017 and 2018:

Year ended December 31 (in thousand euros)	2018	2017 restated	2017
Research and development expenses	(69,555)	(58,962)	(67,000)
General and administrative expenses	(18,142)	(17,015)	(17,015)
Net operating expenses	**(87,697)**	**(75,977)**	**(84,015)**

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

R&D expenses amounted to €59.0 million and €69.6 million for the fiscal years ended December 31, 2017 restated and 2018, respectively, representing 79% of net operating expenses. The rise in R&D expenses between 2017 and 2018 (+€10.6 million compared to 2017) mainly results from an increase in subcontracting costs relating to the progress of the preclinical and clinical programs and a staff growth.

General and administrative expenses include expenses for employees not directly working on R&D, as well as the expenses necessary for the management of the business and its development. General and administrative expenses were €17.0 and €18.1 million for the fiscal years ended December 31, 2017 and 2018, respectively, representing 21% of the net operating expenses. This increase mainly results from the fees incurred by the Company relating to the advisory services in the context of the agreements signed with AstraZeneca in October 2018.

3.1.1.3.3.Operating expenses by nature

The table below gives a breakdown of net operating expenses by nature of expenses for the fiscal years ended December 31, 2017 and 2018:

Year ended December 31 (in thousand euros)	2018	2017 restated	2017
Other purchases and external expenses	(51,978)	(39,571)	(47,609)
Employee benefit other than share-based compensation	(19,121)	(15,163)	(15,163)
Share-based compensation	(2,707)	(9,985)	(9,985)
Depreciation and amortization	(7,402)	(4,396)	(4,396)
Cost of supplies and consumable materials	(3,820)	(4,287)	(4,287)
Intellectual property expenses	(1,380)	(1,499)	(1,499)
Other income and (expenses), net	(1,290)	(1,076)	(1,076)
Net operating expenses	**(87,697)**	**(75,977)**	**(84,015)**

Other purchases and external expenses

Other purchases and external expenses amounted to €47.6 million and €51.8 million during the fiscal years ended December 31, 2017 and 2018, respectively, broken down as follows:

Year ended December 31 (in thousand euros)	2018	2017 restated	2017
Sub-contracting	(42,327)	(29,958)	(37,996)
Non-scientific consultancy	(5,260)	(4,357)	(4,357)
Leases, maintenance and utility	(1,968)	(1,781)	(1,781)
Travel and conference costs	(992)	(1,294)	(1,294)
Marketing, communication and public relations	(518)	(649)	(649)
Scientific consultancy and services	(349)	(845)	(845)
Attendance fees	(212)	(205)	(205)
Others	(140)	(313)	(313)
Other purchases and external expenses	**(51,766)**	**(39,571)**	**(47,609)**

Sub-contracting expenses involve discovery research costs (financing of research conducted externally, particularly academic research, manufacturing process development, etc.), preclinical development (pilot manufacturing, tolerance and pharmacology studies, etc.) and clinical costs (clinical trial management, etc.) outsourced to third parties. The increase in these costs (+€11.4 million compared to 2017 restated) mainly results from the growth and progress of the portfolio of preclinical and clinical programs.

Non-scientific consultancy expenses are mostly fees paid to audit firms, to our certified public accountant for his assistance in accounting, tax and employee matters, to our lawyers, to business strategy or development consultants and recruitment fees. The increase in these expenses between 2017 and 2018 mainly results from the advisory fees incurred in the context of the agreements signed with AstraZeneca in October 2018.

Leases, maintenance and utility costs are mainly maintenance costs for laboratory equipment and the building.

Travel and conference costs mainly include expenses for employees travelling and attending conferences, particularly scientific, medical, business development and financial conferences.

Scientific consultancy and services consist of costs related to external consultants assisting in the research and development of our products. It also covers fees paid to members of our Scientific Advisory Board.

Employee benefits other than share-based compensation

Employee benefit expenses other than share-based compensation came to €15.2 million and €19.1 million for the fiscal years ended December 31, 2017 and 2018, respectively. This rise mainly results from the impact of the recruitments of new employees in both 2017 and 2018.

This includes salaries and social benefit costs. On average, Innate Pharma had 171 and 193 employees during the fiscal year ended December 31, 2017 and 2018, respectively.
The proportion of total staff, excluding Executive committee members, allocated to R&D operations was 80% and 79% for the fiscal years ended December 31, 2017 and 2018 respectively.

The average amount of staff costs per employee was €88 and €99 thousand for fiscal years ended December 31, 2017 and 2018 respectively. This rise results from general and individual pay rises, a higher percentage of achievement of the corporate objectives used in the computation of the collective bonus compared to 2017 and the payment of an exceptional bonus in relation to the agreement signed with AstraZeneca in 2018.

Share-based compensation

In accordance with IFRS 2, share-based compensation are costs corresponding to the fair value of the equity instruments allocated to directors and employees.

Share-based compensation amounted to €10.0 million and €2.7 million euros for the fiscal years ended December 31, 2017 and 2018, respectively.

The cost recognized in 2017 results from the issuance in 2016 an exceptional number of free shares and free preferred shares in the context of the evolution of the management team, including a condition requiring presence and from warrants issued in 2017.

Depreciation and amortization

Depreciation and amortization amounted €4.4 and €7.4 million for the fiscal years ended December 31, 2017 and 2018, respectively. This variance mainly results from the amortization of the monalizumab intangible asset due to a price complement to be paid to Novo Nordisk A/S following the agreement signed with AstraZeneca. The amortization expense relating to this asset amounts to €3.0 million and €4.8 million for fiscal years 2017 and 2018, respectively. The amortization of the Lumoxiti and anti-CD39 assets amounts to €0.5 million and €0.3 million, respectively (none in 2017).

Cost of supplies and consumable materials

The cost of supplies and consumable materials amounted to €4.3 million and €3.8 million for the fiscal years ended December 31, 2017 and 2018, respectively. This change mainly results from the purchase in 2017 of some drug in relation to the performance of clinical trials.

Intellectual property expenses

Intellectual property expenses amounted to €1.5 million and €1.4 million for the fiscal years ended December 31, 2017 and 2018, respectively.

These expenses include the cost of filing and protecting patents (including patents that were acquired from third parties and where the agreements specified that Innate Pharma is responsible for the relevant costs) as well as the costs for obtaining an option or license for intellectual property. In accordance with IAS 38, considering the degree of maturity of the Company and the uncertainty that exists as to the outcome of its research and development projects, intellectual property expenses are recorded in expenses.

Other income and expenses, net

This item represented a net expense that amounted to €0.5 million and €1.5 million for the fiscal years ended December 31, 2017 and 2018, respectively.

3.1.1.3.4. Net income (loss) from distribution agreements

When product sales are performed by a partner in the context of collaboration or transition agreements, the Company must determine if the partner acts as an agent or a principal. The Company concluded that AstraZeneca acts as a principal in the context of the production and commercialization of Lumoxiti. Consequently, the global inflows and outflows received from or paid to AstraZeneca are presented on a single line in the statement of income of Innate Pharma (this amount does not include the research and development costs which are recognized as R&D operating expenses).

3.1.1.3.5. Breakdown of net income (loss)

Year ended December 31 (in thousand euros)	2018	2017 restated*	2017
Revenue and other income	93,592	36,221	44,033
R&D	(69,955)	(58,962)	(67,000)
G&A	(18,142)	(17,015)	(17,015)
Net result from Lumoxiti agreement	(1,109)	–	–
Operating income (loss)	**5,146**	**(39,756)**	**(39,983)**
Financial income (expense), net	(2,427)	(1,609)	(8,034)
Net income (loss) before tax	**2,718**	**(41,365)**	**(48,016)**
Income tax expense	333	(368)	(368)
Net income (loss)	**3,049**	**(41,733)**	**(48,385)**
(in € per share)			
– basic	0.05	(0.77)	(0.89)
– diluted	0.05	(0.77)	(0.89)

3.1.1.3.6.Net financial income

The net financial result amounted respectively to a €8.0 million and a €2.4 million loss for the fiscal year ended December 31, 2017 restated and 2018, respectively.

The Company's cash investment policy favors the minimum risk and, whenever possible, seeks guaranteed minimum performance on capital. Therefore it is preferentially directed to instruments with an absence of risk on principal and, wherever possible, guaranteed minimum performance. For the instruments of which the valuation can be impacted by some events, the Company ensured that no such event occurred as of the closing date of the consolidated financial statements.

3.1.1.3.7.Income tax expense

For the first time, the taxable income of the Company was positive for the year ended December 31, 2016. The tax payable in respect of this exercise amounted to €301 thousand. According to the nature of its revenues, the Company concluded that it was subject to the law of capital gains income from intellectual property and therefore benefits from the reduced 15% tax rate. During the fiscal year 2017, the Company finally concluded that, this law shall not apply and recorded an additional tax expense amounting to €368 thousand which refers the difference between the standard tax rate of 33% and the 15% tax rate.

Following the application of IFRS 15, the Company recognized deferred tax asset and liability for an amount of €1.6 million as of December 31, 2018.

During the fiscal year 2018, the Company opted for the carry back mechanism (also called deferral of deficits). This

accounting and tax mechanism consists in deferring the tax loss of a company over the profits of the three following years (maximum) and generates a receivable from the tax administration (€0.3m tax credit).

In accordance with IFRS, the research tax credit is classified as an 'Other revenue' and not in the line 'Income tax expense'.

3.1.1.4. NET INCOME/(LOSS) PER SHARE

The net result per authorized and issued share came to a €0.88 loss per share and a €0.30 loss per share for the fiscal years ended December 31, 2017 and 2018, respectively.

3.1.2. Exposure to variations in the exchange rate

The Company is exposed to foreign exchange risk inherent in certain subcontracting activities relating to its operations in the United States, which have been invoiced in U.S. dollars. The Company does not currently have recurring revenues in euros. The sales of Lumoxiti will represent a recurring source of revenue in U.S. dollars from 2019. As the Company further increases its business, particularly in the United States, it is expected to face greater exposure to exchange rate risk.

In order to cover this risk, the Company did not translate into EUR the whole $250 million initial payment received from AstraZeneca in June 2015. This payment allows the Company to have a high risk hedging to cover the risk of foreign exchange (EUR/USD). Holding a US Dollars portfolio impacts the financial statements as it generates significant foreign exchange gains or losses in the profit & loss.

Our policy does not include the use of hedging instruments.

3.1.3. Post balance sheet events

Nil

3.2. CASH AND CASH EQUIVALENTS

3.2.1. Information on the Company's capital, cash and cash equivalents and sources of financing

Cash, cash equivalents and current financial assets amounted to €167.5 million as of December 31, 2018, compared with €116.1 million as of December 31, 2017 (see note 4).

The Company also holds non-current financial assets (€35.2 million and €60.5 million as of 31 December 2018 and 2017, respectively) which are investments intended to finance medium and long term activities.

As of January 31, 2019, cash, cash equivalents and current financial assets amounted to €221.4 million following the January payments from and to AstraZeneca relating to the agreements signed in October 2018.

The cash assets held by the Company are composed of current accounts and fixed term accounts. Current financial assets are mainly composed of shares of mutual funds and bonds. Their purpose consists of financing our activities, including our research and development costs.

Since its incorporation in 1999, the Company has been primarily financed by issuing new securities. The Company has also generated cash flow from its collaborations, from repayable financing and grants received from various French and foreign public organizations (including Oséo, become Bpifrance) and from research tax credit.

3.2.1.1. CAPITAL FINANCING

Excluding redeemable warrants, founder warrants and stock-options, the Company has received a total of €240.1 million (before deducting the costs associated with capital increases) from capital increases between 1999 and 2018. The table below summarizes the main capital increases, in value, between the Company's creation and December 31, 2018:

Date	Amount raised
April 2000	4.5 million euros
July 2002	20.0 million euros
March 2004	5.0 million euros
July 2004	10.0 million euros
March 2006	10.0 million euros
November 2006	33.7 million euros
December 2009	24.3 million euros
November 2013	20.3 million euros
June 2014	50.0 million euros
October 2018	62.3 million euros
Total	**240,12 million euros**

3.2.1.2. FINANCING THROUGH LOANS

Bpifrance

In 2013 the Company obtained from Bpifrance a €1.5 million PTZI loan (Prêt à Taux Zéro Innovation – interest-free loan for innovation). This loan will be repayable from September 2016 over a term of between one and five years.

Real estate lease-financing

For the acquisition of the Company's new headquarters and laboratories in Marseille, a lease-financing facility was obtained in 2008 for a twelve-year duration and for a total amount of €6,551 thousand (excluding VAT). The real estate lease-financing agreement comprises three different financial tranches:

The acquisition of the real estate lot for €1,560 thousand (excluding VAT), including acquisition related costs. The amount of the financial liabilities amounted to €242 thousand as of December 31, 2018, of which €166 thousand in short term liabilities and €76 thousand in long term liabilities.

The financing of the renovation of the building, the total amount of which was initially set at €4,991 thousand excluding VAT. As of December 31, 2018, the financial liabilities related to the future payments to Sogébail for the financing of these refurbishing works amounted to €769 thousand (excluding VAT), and were presented by the Company for respectively €529 thousand and €240 thousand as current financial liabilities and non-current financial liabilities.

A down-payment of €1,500 thousand was made by the Company to be used as collateral by Sogébail. Taking into account the contractual right of the Company on this down-payment as well as the principle of deduction from the repayments, the down-payment was deducted from the borrowings of the Company in the financial statements. The receivable on this down-payment amounted to €234 thousand at December 31, 2018, of which €120 thousand are repayable in the short term and €114 thousand are repayable in the long term.

During the fiscal year 2016, the Company signed an amendment with Sogébail in order to finance, by leasing, facilities within the building. With a duration of four years, the funding amounts to €846 thousand. The amount of the financial liability of this endorsement amounted to €334 thousand as of December 31, 2018, of which €231 thousand in the short term and €103 thousand in the long term.

The following table shows the simplified schedule of repayment for these financial liabilities (principal only) as at December 31, 2018:

Schedule of repayment of financial liabilities	2019	2020	Total
Lease-financing – Real estate transaction 2008	695	315	1,010
Down-payment – Real estate transaction 2008	(160)	(74)	(234)
Lease-financing – Building equipments 2016	231	103	334
Total	**766**	**344**	**1,110**

Real-estate loan

As of July 17, 2017, the Company took out a loan amounting to €15.2 million in order to finance the acquisition of a land and the construction of its future headquarters. As of December 31, 2018, the Company raised this loan to €1.3 million, corresponding to the purchase of the land and the payment of the initial feasibility surveys. Following the developments in its portfolio, the Company decided to postpone this construction. In the meantime, the proceeds of the loan will therefore be used to finance several structuring projects (extension of the current building, improvement of the information system, development of a commercial platform…).

Other financial liabilities

During the fiscal year 2017 and 2018, the Company also uses lease-financing and bank loans to finance the

acquisition of laboratory equipment and to set up new laboratories. The debt related to these loans amounts to €1.4 million as of December 31, 2018.

3.2.1.3. OFF-BALANCE-SHEET COMMITMENTS

The Company's off-balance-sheet commitments are described in Note 28 to its 2018 Consolidated Accounts.

3.2.2. Cash flows

The condensed cash flow statement, under IFRS, is as follows:

		Year ended December 31,	
	Notes	2018	2017
Net income (loss)		**3,049**	**-48,385**
Operating cash flow before change in working capital		**14,566**	**-31,08**
Net cash generated from / (used in) operating activities		**-32,531**	**-48,06**
Net cash generated from / (used in) investing activities		**24,279**	**-29,46**
Net cash generated from / (used in) financing activities		**61,222**	**915**
Net increase / (decrease) in cash and cash equivalents		**52,947**	**-76,539**
Cash and cash equivalents at the beginning of the year	4	99,367	175,906
Cash and cash equivalents at the end of the year	4	**152,314**	**99,367**

3.2.2.1. CASH FLOWS FROM OPERATING ACTIVITIES

The net cash flow used in operations amounts to €48.1 million and €32.5 million for the respected fiscal years 2017 and 2018, respectively. This improvement of our operating cash flows results from the collection of €40.3 million of proceeds relating to the agreements signed with AstraZeneca in October 2018. Excluding these items, the net cash flow in operations would have amounted to €72.8 million, the downgrading compared to 2017 resulting from the financing of our activities and especially our R&D expenses.

3.2.2.2. CASH FLOWS FROM INVESTMENT ACTIVITIES

The Company's operations generally require little investment in tangible assets because it outsources most of the manufacturing and validation activities to third parties. In 2008, the Company acquired its headquarters and its main laboratories (see section 3.2.1.2 of this Reference document) for a total gross investment amounting to €6.8 million.

The Company's investments in other tangible assets, mainly laboratory equipment, came to €3.0 and €1.0 million for the fiscal years ended December 31, 2017 and 2018, respectively. The investment amounting to €3.0

million in 2017 were financed through a loan of €0.5 million. The Company renews some of its existing laboratory equipment and acquires new equipment every year.

The Company leases some of its computer equipment under operating-lease contracts. The Company's payments for these items are accounted as operating expenses in the income statement.

In July 2017, the Company acquired a Company named NN C5aR for the purpose of acquiring the exclusive development and commercial rights and proceeds relating to the anti-C5aR antibody. The terms of the agreement provide for an upfront payment of €40m, of which €37.2m were paid in the form of new shares in the Company and €2.8m were paid in cash.

The acquisitions and disposals of current and non-current financial instruments are purchases and sales performed in the context of the cash management policy of financial instruments that do not meet the conditions under IAS 7 to be considered as cash equivalents (see Note 4) to the Company's 2018 Consolidated accounts that are in section 1.1).

3.2.2.3. CASH FLOWS FROM FINANCING ACTIVITIES

In the context of the agreements signed in October 2018, AstraZeneca took a 9.8% of the capital of Innate Pharma. The proceeds of this capital increase amounts to €62.3 million.

The variance of the financial liabilities between the fiscal years ended December 31, 2017 and 2018 mainly results from the reimbursement of the lease-financing transactions relating to real estate and equipment and the subscription of loans following the acquisition of R&D equipment and the project of construction of the future headquarters. During the fiscal year 2018, the Company collected a total amount of €0.3 million following the issue and exercise of equity instruments (€0.5 million for 2017).

3.2.3. Information on borrowing terms and financing structure

See Note 9 to the Company's 2018 Consolidated accounts, section 1.1 in this Reference document.

3.2.4. Restrictions on use of capital

In the context of the real estate transaction described in section 3.2.1.2 of this Reference document and for which a lease-financing facility was obtained, the Company has made a €1.5 million down-payment to Sogébail, the lessor. This down-payment, carrying interest, will be deducted from the lease-finance repayments over the duration of the lease-finance, or twelve years.

On July 3, 2017, the Company subscribed to a loan from Société Générale to finance the construction of its future head office. This loan, of a maximum amount of €15.2 million will be mobilized during the construction period at the rate of payments made to the service providers, this period being limited to August 31, 2019. The repayment of the capital will begin on September 1, 2019 on a duration of 12 years. Throughout the duration of this contract, Innate Pharma undertook at each reporting date to comply with a financial ratio and therefore establish a certificate of compliance from its statutory auditors.

3.2.5. Sources of financing needed for the future

The development of the Company's products and its progress towards marketing them should lead to increases in its expenses over the upcoming fiscal years. The Company's Lumoxiti profit's expectations and total cash on hand and current financial instruments will not be sufficient to finance its development requirements. The Company will therefore need to generate some proceeds from business development activities or from capital increases. For more detail, please see Note 9 to the Company's 2018 Consolidated accounts, section 1.1.

3.2.5.1. EXPENSES AND INVESTMENTS

The Company expects having to repay between 2019 and 2021 a total of €0.8 million in repayable loans Bpifrance and also €3.5 million to repay between 2019 and 2021 related to the loan described in section 3.2.1.2

3.2.5.2. FINANCIAL RESOURCES

In addition to cash, cash equivalents and current financial assets as of December 31, 2018, amounting to €167.5 million, the Company expects to continue relying on government loans or PTZI loans notably from France and Europe, as well as on the research tax credit, to finance its operations. Furthermore, the Company also has non-current financial instruments amounting to €35.2 million (see Note 4).

3.3. INFORMATION REGARDING THE COMPANY'S ASSETS, FINANCIAL SITUATION AND RESULTS

In application of Article 28 of Commission Regulation (EC) No. 809/2004, the following information is included by way of reference in this Reference document:

Consolidated accounts for the fiscal year ended December 31, 2017 with corresponding reports from the statutory auditors, including in sections 3.3.1 and 3.3.2 of the Reference document D.18-0383 registered with the AMF on April 25, 2018.

Consolidated accounts for the fiscal year ended December 31, 2016 with corresponding reports from the statutory auditors, including in sections 3.3.1 and 3.3.2 of the Reference document D.17-0282 registered with the AMF on March 31, 2017.

Chapters 9 and section 3.1 (Management Discussion and analysis of the financial situation) and chapter 10 and section 3.2 (Cash and cash equivalents) of the Reference documents registered with the AMF on March 31, 2017 (D.17-0282) and April 25, 2018 (D.18-0383).

3.3.1. Consolidated financial statements prepared under International Financial Reporting Standards as of December 31, 2018

International Financial Reporting Standards

Consolidated statement of financial position
(in thousand euros)

	Note	As of December 31, 2018[1]	2017
Assets			
Cash and cash equivalents	4	152,314	99,367
Short term investments	4	15,217	16,743
Current receivables	5	152,112	21,412
Total current assets		**319,643**	**137,521**
Intangible assets	6	84,529	46,192
Tangible assets	7	10,216	10,729
Non-current financial assets	4	35,181	60,469
Deferred tax asset	17	1,561	-
Other non-current assets		86	111
Total non-current assets		**131,574**	**117,501**
Total assets		**451,216**	**255,023**
Liabilities			
Trade payables	8	91,655	24,657
Collaboration liability-current portion	8	20,987	-
Financial liabilities - current portion	9	1,347	1,343
Deferred revenue - current portion	13	82,096	47,909
Provisions	18	652	-
Total current liabilities		**196,737**	**73,909**
Financial liabilities - non-current portion	9	3,175	4,521
Collaboration liability- non-current portion	8	10,669	-
Defined benefit obligations	10	3,697	2,621
Deferred revenue - non-current portion	13	68,098	87,005
Provisions	18	38	1,012
Deferred tax liability	17	1,561	-
Total non-current liabilities		**87,238**	**95,158**
Share capital	11	3,197	2,880
Share premium		299,932	234,874
Retained earnings		(137,840)	(103,595)
Net income (loss)		3,049	(48,385)
Other reserves		(1,099)	180
Total shareholders' equity attributable to equity holders of the Company		**167,240**	**85,956**
Total liabilities and equity		**451,216**	**255,023**

(1) The financial statements at December 31, 2018 include the effects of the first application of IFRS 9 and IFRS 15, which came into effect on January 1, 2018. The comparative financial statements as at December 31, 2017 have not been restated. See note 2.a for more details on transition measures.

Consolidated statement of income (loss)
(in thousand euros)

	Note	Year ended December 31, 2018[1]	2017
Revenue from collaboration and licensing agreements	13	79,892	32,631
Government financing for research expenditures	13	14,060	11,402
Operating revenue		**93,952**	**44,033**
Research and development	14	(69,555)	(67,000)
General and administrative	14	(18,142)	(17,015)
Operating expenses		**(87,697)**	**(84,015)**
Net income (loss) from distribution agreements	15	(1,109)	-
Operating income (loss)		**5,146**	**(39,983)**
Financial income	16	6,002	2,501
Financial expenses	16	(8,429)	(10,535)
Net income (loss) before tax		**2,718**	**(48,016)**
Income tax expense	17	333	(368)
Net income (loss)		**3,049**	**(48,385)**
Net income (loss) per share attributable to equity holders of the Company:			
Weighted average number of shares (in thousand):		58,777	54,352
(in € per share)			
- Basic loss per share	20	0.05	(0.89)
- Diluted loss per share	20	0.05	(0.89)

[1] The financial statements at December 31, 2018 include the effects of the first application of IFRS 9 and IFRS 15, which came into effect on January 1, 2018. The comparative financial statements as at December 31, 2017 have not been restated. See note 2.a for more details on transition measures.

Consolidated statement of comprehensive income (loss)
(in thousand euros)

In thousand euros	Note	Year ended December 31, 2018[1]	2017
Net (loss)/income for the period		**3,049**	**(48,385)**
Elements which will be recycled in the consolidated statement of income (loss):			
Change in fair value of current financial instruments	4	–	437
Foreign currency translation gain / (loss)		(26)	68
Elements which will not be recycled in the consolidated statement of income (loss):			
Actuarial gains and (losses) related to employee benefits	10	(599)	178
Other comprehensive income (loss)		*(625)*	*683*
Comprehensive income (loss)		**2,424**	**(47,702)**

(1) The financial statements at December 31, 2018 include the effects of the first application of IFRS 9 and IFRS 15, which came into effect on January 1, 2018. The comparative financial statements as at December 31, 2017 have not been restated. See note 2.a for more details on transition measures.

Consoldiated statement of cash flows
(in thousand euros)

	Notes	Year ended December 31, 2018[1]	2017
Net income (loss)		**3,049**	**(48,385)**
Depreciation and amortization	6, 7	7,401	4,393
Provisions for defined benefit obligations	10	477	381
Provisions for charges	18	(322)	877
Share-based compensation expense	14	2,707	9,829
Change in valuation allowance on financial assets	4	3,786	(26)
Gains (losses) on financial assets	4	(1,341)	3,381
Change in valuation allowance on financial instruments	4	152	(204)
Gains on assets and other financial assets	16	(1,445)	(1,442)
Interest paid	16	102	113
Operating cash flow before change in working capital		**14,566**	**(31,080)**
Change in working capital[1]		(47,096)	(16,980)
Net cash generated from / (used in) operating activities		**(32,531)**	**(48,060)**
Acquisition of property and equipment, et	7, 8	(873)	(2,964)
Acquisition of intangible assets	6	(556)	(3,062)
Purchase of current financial instruments	4	-	(2,543)
Purchase of non-current financial instruments	4	-	(40,728)
Disposal of property and equipment	7	22	50
Disposal of other assets		25	-
Disposal of current financial instruments	4	2,704	5,646
Disposal of non-current financial instruments	4	21,513	11,895
Gains on assets and other financial assets	16	1,445	1,442
Net cash generated from / (used in) investing activities		**24,279**	**(29,460)**
Proceeds from the exercise / subscription of equity instrument [2]		111	491
Capital increase[2]		62,557	-
Collection of new loans	9	-	1,739
Repayment of financial liabilities	9	(1,343)	(1,202)
Interest paid	16	(102)	(113)
Net cash generated from / (used in) financing activities		**61,222**	**915**
Effect of the exchange rate changes		(26)	66
Net increase / (decrease) in cash and cash equivalents		**52,947**	**(76,539)**
Cash and cash equivalents at the beginning of the year	4	99,367	175,906
Cash and cash equivalents at the end of the year	4	**152,314**	**99,367**

[1] The financial statements at December 31, 2018 include the effects of the first application of IFRS 9 and IFRS 15, which came into effect on January 1, 2018. The comparative financial statements as at December 31, 2017 have not been restated. See note 2.a for more details on transition measures.

[2] See "Statement of changes in shareholders' equity"

Change in working capital	Note	2018[1]	2017	Variance	IFRS 15 restatements[2]	Variance excluding IFRS 15 restatements
Current receivables and prepayments	5	152,112	21,412	(130,700)	–	(130,700)
Deferred revenue	13	(150,195)	(134,914)	15,281	47,083	62,364
Trade payables	8	(47,762)	(24,583)	23,179	11,156	34,335
Contract liabilities	8	(31,656)	–	31,656	(44,751)	(13,095)
Change in working capital		**(77,501)**	**(138,085)**	**(60,584)**	**13,488**	**(47,096)**

[1] The consolidated financial statements as of December 31, 2018 include the impacts of the first application of IFRS 9 and 15 standards that became applicable on January 1, 2018. The comparative consolidated financial statements as of December 31 2017 have not been restated. See note 2.a for more details on transition measures.

[2] See Note 2.

Change in working capital	Note	2017	2016	Variance
Current receivables and prepayments	5	21,412	32,390	10,978
Deferred revenue	13	(134,914)	(167,261)	(32,356)
Trade payables	8	(24,583)	(20,195)	4,388
Change in working capital		**(138,085)**	**(155,066)**	**(16,980)**

The following schedule presents a reconciliation between the statement of cash flows (financing activities) and the notes to the financial statements:

								Detail 12/31/2018		
			Cash-flows		Non-cash variations			Current	Non-current	Notes
	In thousand euros	**Dec. 2017**	**(+)**	**(-)**		**Dec. 2018**				
Borrowing	BPI's Interest-free loan	1,125	-	(375)	-	750		*300*	*450*	***Note 9***
Leasing	Leasing– Property transaction	2,239	-	(894)	-	1,345		*927*	*418*	
Leasing	Leasing- Property transaction (down-payment)	(386)	-	152	-	(234)		*(160)*	*(74)*	
Leasing	Leasing - Equipments	1,160	-	(173)	-	987		*187*	*800*	
Borrowing	Borrowing – Equipments	426	-	(54)	-	372		*54*	*318*	
Borrowing	Other Borrowing -	1,300	-	-	-	1,300		*40*	*1,260*	
	Sub-total	***5,864***	***0***	***(1,343)***	**-**	***4,520***		***1,348***	***3,172***	
Equity	Equity instruments	491	111	-	-	111		*N/A*	*N/A*	***Statement of changes in shareholder's equity***
Equity	Equity instruments	**-**	62,557	**-**	**-**	*62,557*		*N/A*	*N/A*	
	Sub-total	***491***	***62,668***	**-**	**-**	***62,668***		***N/A***	***N/A***	
Leasing	Interests	(110)	-	(102)	-	(102)		*N/A*	*N/A*	
	Sub-total	***(110)***	**-**	***(102)***	**-**	***(102)***		***N/A***	***N/A***	
	Total		**62,668**	**(1,446)**	**-**					

– Statement of changes in shareholders' equity (in thousand euros)

	Note	Number of shares (in thousand)	Share capital	Share premium	Consolidated reserves	Net loss	Other comprehensive income	Total attributable to equity holders of the Company
Balance as of December 31, 2016		**53,921**	**2,696**	**187,571**	**(116,235)**	**12,640**	**(503)**	**86,169**
Net income for the year ended December 31, 2017		–	–	–	–	(48,385)	–	(48,385)
Change in fair value of marketable securities available for sale	4	–	–	–	–	–	437	437
Actuarial gains and (losses) on defined benefit obligations	10	–	–	–	–	–	178	178
Foreign currency exchange variation		–	–	–	–		68	68
Total comprehensive income for the year		–	–	–	–	**(48,385)**	**683**	**(47,702)**
Net loss appropriation for the year ended December 31, 2016		–	–	–	12,640	(12,640)	–	–
Exercise and subscription of equity instruments		342	17	474	–	–	–	491
Share-based payment in the context of the acquisition of C5aR	6	3,344	167	36,999	–	–	–	37,166
Share-based payment	14	–		9,829	–	–	–	9,829
Total contributions by and distributions to owners of the Company, recognized directly in equity		**3,686**	**184**	**47,302**	**12,640**	**(12,640)**	**–**	**47,486**
Balance as of December 31, 2017		**57,607**	**2,880**	**234,874**	**(103,595)**	**(48,385)**	**180**	**85,956**
Net income for the year ended December 31, 2018		–	–	–	–	3,049	–	3,049
Restatement related to the first application of IFRS 9		–	–	–	653	–	(653)	–
Restatement related to the first application of IFRS 15	2.a	–	–	–	13,488	–	–	13,488
Actuarial gains and (losses) on defined benefit obligations	10	–	–	–	–	–	(599)	(599)
Foreign currency exchange variation		–	–	–	–	–	(26)	(26)
Total comprehensive income for the year		**–**	**–**	**–**	**(89,454)**	**3,049**	**(1,278)**	**1,771**
Net loss appropriation for the year ended December 31, 2017		–	–	–	(48,385)	48,385	–	–
Exercise and subscription of equity instruments		72	4	107	–	–	–	111
Capital increase	6	6,261	313	62,244	–	–	–	62,557
Share-based payment	14	–	–	2,707	–	–	–	2,707
Total contributions by and distributions to owners of the Company, recognized directly in equity		**6,333**	**317**	**65,058**	**(34,244)**	**48,385**	**–**	**79,516**
Balance as of December 31, 2018		**63,940**	**3,197**	**299,932**	**(137,840)**	**3,049**	**(1,099)**	**167,240**

3

1. The Company

Innate Pharma S.A. is a clinical-stage biotechnology company dedicated to improving cancer treatment and clinical outcomes for patients through first-in-class therapeutic antibodies that harness the innate immunity.

Innate Pharma specializes in immuno-oncology, a new therapeutic field that is changing cancer treatment by mobilizing the power of the body's immune system to recognize and kill cancer cells.

The Company's broad pipeline includes four first-in-class clinical stage antibodies as well as preclinical candidates and technologies that have the potential to address a broad range of cancer indications with high unmet medical needs.

Innate Pharma has pioneered the discovery and development of checkpoint inhibitors, with a unique expertise and understanding of Natural Killer cell biology. This innovative approach has resulted in major alliances with leaders in the biopharmaceutical industry including AstraZeneca, Bristol-Myers Squibb, Novo Nordisk A/S and Sanofi. Innate Pharma is building the foundations to become a fully-integrated biopharmaceutical company.

Over the short-term, the Company's potential clients are the US based patients receiving Lumoxiti and actors from the pharmaceutical industry, via development or license agreements. Over the long-term, the Company may be able to deliver itself its products to patients or through the intermediary of partners.

From its inception, the Company has incurred losses due to its R&D activity. The fiscal year ended December 31, 2016 was the first period for which the Company generated a net profit (€12.6 million).

The fiscal year December 31, 2018 generated a €3.0 million income (compared to a loss of €48.3 million for the fiscal year 2017). As of December 31, 2018, the shareholders' equity amounted to €167.2 million. Subject to perceive 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 research and development; (ii) regulatory approval and market acceptance of the Company's proposed future products; (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 December 31, 2018, the Company had:

- A fully owned subsidiary, called Innate Pharma, Inc., created in 2009 and registered in the Delaware, United States.The corporate purpose of this company consists in managing the business development activities in the United States. Innate Pharma, Inc. is dormant since January 1, 2011 and is fully consolidated.
- A fully owned subsidiary, called Innate Pharma France SAS, created in 2018. This is a French

company created to exploit any commercial license.

The Executive board approved these consolidated financial statements on March 19, 2019. They will be submitted for approval at the Shareholders' General Meeting scheduled on May 22, 2019, which has the ability to amend them.

Key events of the fiscal year ended December 31, 2018 having an impact on the financial statements

- On January, 2018, Innate Phama announced that it has entered into a clinical trial collaboration with MedImmune, the global biologics research and development arm of AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with selected solid tumors. Innate will sponsor the study with costs equally shared by both parties.
- On October 2018, the company signed a multi-term agreement with AstraZeneca, building on an existing collaboration, aimed at accelerating each company's oncology portfolio and bringing new medicines to patients more quickly. Under the terms of the agreement, Innate Pharma licensed the US and EU commercial rights to AstraZeneca's recently FDA-approved Lumoxiti for hairy cell leukemia. AstraZeneca obtained full rights to the first-in-class humanized anti-NKG2A antibody, monalizumab, in oncology broadening the initial announced partnership in 2015. AstraZeneca gained option rights to IPH5201, an antibody targeting CD39, as well as to four, non-disclosed pre-clinical molecules from Innate Pharma's pipeline. The payment of €62.6 million has been received in October 2018. This is subsequent to the acquisition, by AstraZeneca, of a 9.8% equity position in Innate through the issuance of 6,260,500 new shares to AstraZeneca at €10/share. The accounting treatment of this multi-term agreement are presented in Notes 6, 10 and 13.

Key events of the fiscal year ended December 31, 2017 having an impact on the financial statements

- On February 6, 2017, the Company announced top-line results from the EffiKIR trial evaluating the efficacy of lirilumab as a single agent in elderly patients with acute myeloid leukemia. The trial did not meet the primary efficacy endpoint but confirms the tolerance profile of lirilumab as a monotherapy.
- On June 2, 2017, the Company announced that it entered into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401). The terms of the transaction provide for a total upfront payment of €40.0m, of which €37.2m were paid in new Innate Pharma shares and €2.8m in cash. Novo Nordisk A/S will be eligible for €370.0m in development, regulatory and sales milestone payments. Novo Nordisk A/S will also be eligible for double digit royalties on net sales. After the issuance of the new Innate Pharma shares, the stake of Novo Nordisk A/S in Innate Pharma increased from 10.3% to 15.5%. As part of the agreement signed with Novo Nordisk as mentioned above, the Company has applied a withholding tax resulting from the absence of a tax treaty between France and Denmark.

  On July 3, 2017, the Company subscribed to a loan towards Société Générale in order to finance the building of its future headquarters. The maximum amount of this loan will be €15.2m. The Company will use it over the period of the works according to the payments that will be made to the suppliers. This period will end on September 1, 2019. The reimbursement of the capital will begin on September 1, 2019 over a 12 year period. As a counterpart of this loan, the Company subscribed to financial instruments towards Société Générale for an amount of €15.2m and granted a collateral on these instruments. The maturity date of these instruments is as follows: €4.2m as of July 2024, €5.0m as of July 2027 and €6.0m as of July 2031.The Company decided to postpone this construction. In the meantime, tThe proceeds of the loan will therefore be used to finance several structuring projects (extension of the current building, improvement of the information system, development of a commercial platform…).

2. Accounting policies

a) Basis of preparation

Due to the listing of ordinary shares of Innate Pharma on Euronext Paris and in accordance with the European Union's regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Company for the year ended December 31, 2018 (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and approved by the European Union ("EU") as of December 31,2018.

Comparative figures are presented for December 31, 2017.

IFRS includes International Financial Reporting Standards ("IFRS"), International Accounting Standards ("the IAS"), as well as the interpretations issued by the Standing Interpretations Committee ("the SIC"), and the International Financial Reporting Interpretations Committee ("IFRIC"). The main accounting methods used to prepare the Consolidated Financial Statements are described below. These methods were used for the two years presented.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of marketable securities available for sale.

The assumption of going concern was used given the Company's financial position and liquidity to meet its financing needs for the next 12 months following the reporting date.

The preparation of financial statements in concordance with IFRS requires the Company to make certain estimates and assumptions that are detailed in note 2t.

- **Adoption of IFRS 15**

IFRS 15 "Revenue from Contracts with Customers", which supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue", came into force on January 1, 2018.

The Company decided to apply the simplified transitional approach without any of the simplifying measures allowed by IFRS 15. Innate Pharma applied the simplified retrospective methodology without simplification authorized by IFRS 15. According to this approach, the comparative information is not restated and the cumulative impact of the first application is presented as an adjustment of the opening equity of the year of first application. The simplified transitional approach does not present comparative information, but requires a comparison for the first application year if the IFRS 15 figures with the figures according to the previous standard (IAS 18). This comparison is presented below.

The impact of the adoption of IFRS 15 is limited to the accounting treatment of the contributions paid by Innate Pharma to the financing of R&D performed by AstraZeneca as part of the initial collaboration agreement with AstraZeneca dated in 2015 on the molecule IPH2201 and resulted in a $250 million non-refundable advance payment.

In fact, until December 31, 2017, the reimbursements of R&D expenses were recognized as R&D expenses when the expenses were incurred by AstraZeneca and due to Innate Pharma.

According to IFRS 15, amounts to be paid to customers are treated as a reduction of the global transaction price agreed with the customer. Consequently, when a portion of the proceeds of a contract is paid back to the customer, this amount should not be recognized as revenue. In the context of the collaboration agreement with AstraZeneca, Innate Pharma co-finances the R&D works performed by AstraZeneca. Consequently:

- The amount to be recognized as revenue (transaction price) is reduced by the amount expected to be paid to the partner;

- This expected amount is not recognized anymore in the statement of financial position as deferred revenue but as a liability;

- The invoices received from the partner are not recognized anymore as operating expenses but are deducted from the liability; and

- When the liability is in a foreign currency (which is the case in the context of this agreement), it is translated at each closing at the appropriate exchange rate, which generates foreign exchange gains or losses.

The changes mentioned previously therefore generate temporary and permanent differences between IFRS GAAP and French GAAP. Consequently, an amount of deferred tax is calculated at each closing date, based on the amount of temporary differences. As of December 31, 2018, the temporary differences generate a deferred tax liability.

Because of the tax losses to be carried forward from the previous fiscal years, the Company in such a situation recognized a deferred tax asset for the same amount.

The impact of the adoption of IFRS 15 on the statement of financial position as of January 1, 2018 is presented below:

Amounts in thousands of euros	December 31, 2017 as published	IFRS 15 Restatement	January 1, 2018 restated
Asset			
Total current asset	**137,521**	**-**	**137,521**
Deferred tax asset	-	3,098	3,098
Total non-current asset	**117,501**	**3,098**	**120,599**
Total Asset	**255,023**	**3,098**	**258,121**
Liabilities			
Trade payables and others	24,657	(11,156)	13,501
Collaboration liabilities	-	27,437	27,437
Deferred revenue	47,909	(27,837)	20,072
Total current liabilities	**73,909**	**(11,556)**	**62,353**
Collaboration liabilities	-	17,314	17,314
Deferred revenue	87,005	(19,246)	67,759
Deferred tax liability	-	3,098	3,098
Total non-current liabilities	**95,158**	**1,166**	**96,324**
Reserves	(103,595)	13,488	(90,107)
Total shareholders' equity	**85,956**	**13,488**	**99,444**
Total liabilities and equity	**255,023**	**3,098**	**258,121**

The following schedule presents a comparison between the financial statements published and the figures they would have been if the Company had applied IAS 18 during the 2018 fiscal year:

	December 31, 2018 as published	IFRS 15 impact	December 31, 2018 excluding IFRS 15 impact
Asset			
Total current asset	**319,643**	**-**	**319,643**
Deferred tax asset	1,561	(1,561)	-
Total non-current asset	**131,574**	**(1,561)**	**130,013**
Total Asset	**451,216**	**(1,561)**	**449,655**
Liabilities			
Trade payables	91,655	3,382	95,037
Collaboration liabilities	20,987	(20,987)	-
Deferred revenue	82,096	26,455	108,551
Total current liabilities	**196,096**	**8,850**	**204,945**
Deferred revenue	68,098	7,958	76,056
Collaboration liabilities	10,669	(10,669)	-
Deferred tax liability	1,561	(1,561)	-
Total non-current liabilities	**87,890**	**(4,272)**	**83,618**
Reserves	(138,939)	(13,488)	(152,427)
Net result	3,049	7,349	10,398
Total shareholders' equity	**167,240**	**(6,139)**	**161,101**
Total liabilities and equity	**451,216**	**(1,561)**	**449,655**

	Year ended December 31, 2018 as published	IFRS 15 impact	Year ended December 31, 2018 excluding IFRS 15 impact
Revenue from collaboration and licensing agreements	79,892	21,033	100,925
Government financing for research expenditures	14,060	-	14,060
Operating income	**93,952**	**21,033**	**114,985**
R&D expenses	(69,555)	(15,542)	(85,097)
G&A expenses	(18,142)	-	(18,142)
Operating expenses	**(87,697)**	**(15,542)**	**(103,293)**
Net income (loss) from distribution agreements	(1,109)	-	(1,109)
Operating gain/(loss)	**5,146**	**5,491**	**10,637**
Financial income	6,002	-	6,002
Financial expenses	(8,429)	1,858	6,571
Net income (loss) before tax	**2,718**	**7,349**	**10,067**
Income tax	333	-	333
Net income (loss) before tax	**3,049**	**7,349**	**10,397**
(in € per share)			
-base	0.05		0.18
-diluted	0.05		0.18

➢ **IFRS 9**

IFRS 9 "Financial instruments", which supersedes IAS 39 "Financial instruments: recognition and measurement", came into force on January 1, 2018.

Regarding financial instruments, IFRS 9 requires for non-derivative financial assets a change of name of the sub-categories of financial assets without, however, modifying the valuation principles of these assets, which remain either at fair value or amortized cost. The valuation models used by Innate Pharma remain unchanged.

The modification of the depreciation principles for financial assets measured at amortized cost, which now consists in adopting an approach based on expected losses, leads in practice not to recognize impairment and mainly concerns trade receivables which represent an insignificant amount as of January 1, 2018.

The only impact of IFRS 9 on the financial statements of the Company concerns the recognition of the variance in fair value of the mutual funds. Under IAS 39, the variance in fair value of these financial assets was recognized in other comprehensive income. Under IFRS 9, it will be recognized in the statement of income. Following the application of the standard using the retrospective method, the impact on the opening statement of financial position is a reclassification from the cumulated comprehensive income to consolidated reserves for an amount of €0.7 million.

b) Recently issued accounting standards and interpretations

The standards and interpretations recently issued whose application is mandatory as of December 31, 2018 are the following:

The new standards, amendments to existing standards and subsequent interpretations have been published but are not applicable in 2018 or have not yet been adopted by the European Union, and have not been applied early:

IFRS 14 "Regulatory Deferral Accounts". The European Union has not started the process of approving this standard.

IFRS 16 "Leases", mandatory for fiscal years beginning on or after January 1, 2019. IFRS 16 replaces the IAS 17 standard and the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27).

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based payment* which is effective for annual periods beginning on or after January 1, 2018. The adoption of these new amendments will not have a material impact on the financial statements of the Company.

Amendments to IFRS 4 following the issuance of IFRS 9.

Amendments to IAS 40 to clarify transfers of property to, or from, investment property.

IFRIC 22 "Foreign currency transactions and advance consideration".

The Company has not early adopted the new accounting standards, amendments and interpretations.

Accounting policies and assessment principles adopted for the December 31, 2018 financial statements are identical to those adopted for the comparative year.

Progress of work to estimate the impacts of IFRS 16

The Company has carried out an analysis of the impacts of IFRS 16. The contracts impacted by this new standard relate to the rental of premises and the rental of company vehicles. This last element was deemed insignificant, so the only impact of IFRS 16 will be on the accounting of rents for the premises.

With respect to the transition method, the Company will opt for the modified retrospective approach. As of January 1, 2019, the right of use (ROU) will be recognized as assets for their net value (as if IFRS 16 had always been applied) and the present value of the remaining payments will be recognized as a liability.

The Company estimates the effect on the opening consolidated statement of financial position between €600 thousand and €900 thousand resulting from the recognition of the lease obligation and the right of use associated with leases contracts. The effect on equity at January 1, 2019 should not be material.

c) Change in accounting policies

There has been no change in accounting policies for any of the years presented.

d) Property and equipment

Property and equipment are carried at acquisition cost. Major renewals and improvements are capitalized while repairs and maintenance are expensed as incurred.

Depreciation is computed over the estimated useful lives of assets using the straight-line depreciation method. Leasehold improvements are depreciated over the life of the improvement or the remaining lease term, whichever is shorter.

The headquarters of the Company was split into several components (foundations, structure, electricity, heating and ventilation systems…) which are depreciated over different useful lives according to the anticipated useful life of these elements.

Depreciation periods are as follows:

Buildings and improvements on buildings	20 to 40 years
Installations	5 to 20 years
Technical installations and equipment	8 years
Equipment and office furniture	5 years
Computers and IT equipment	3 years

Tangible assets are subject to an impairment test if there is any indication of impairment. When the net book value of an asset is higher than its recoverable value, an impairment is recognized to bring the net book value down to the recoverable value.

Any gain or loss at the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in operating income (loss) of the period.

e) Intangible assets

Research and Development (R&D) fees

In accordance with IAS 38 *Intangible assets* ("IAS 38"), expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's development activities is recognized only if all of the following conditions are met:

- Technically feasible to complete the intangible asset so that it will be available for use or sale;
- The Company has the intention to complete the intangible assets and use or sell it;
- The Company has the ability to use or sell the intangible assets;
- The intangible asset will generate probable future economic benefits, or indicate the existence of a market;
- Adequate technical, financial and other resources to complete the development are available;
- The Company is able to measure reliably the expenditure attributable to the intangible asset during its development.

Because of the risks and uncertainties related to regulatory authorizations, research and development ("R&D") process and future availability of technical, financial and human resources necessary to complete the development phases of its drug candidates, the Company believes that the six criteria stipulated by IAS 38 have not been fulfilled and the application of this principle has resulted in all development costs to be expensed as incurred in all periods presented until a regulatory marketing authorization has been obtained. On the other hand, the development costs incurred to obtain marketing authorization in Europe are capitalizable and meet the six IAS 38 criteria for capitalization, therefore these costs are capitalized when they are incurred. These costs are not amortized until the marketing authorization is obtained.

f) Intangible assets acquired separately

Intangible assets acquired separately with a finite useful life are valued at their cost less the cumulated amortizations and depreciations. The amortization is recognized on a straight line basis according to the anticipated useful life. The estimated useful life takes into consideration the period of protection of the exclusivity rights and the anticipated period of commercialization.

Intangible assets acquired separately which are still under development process and which do not generate economic benefits from collaboration agreements are not amortized and classified as under progress. An impairment test is performed on a yearly basis.

When intangible assets acquired separately are acquired through variable or conditional payments, these payments are recognized as an increase of the carrying amount of the asset when they become probable. Royalties du by the Company related to acquired licenses are recognized as operating expenses when the Company recognizes sales subject to royalties.

g) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise the cash that is held at the bank and petty cash as well as the short-term fixed deposits for which the recommended maturity is less than three months and the interest rate risk is very limited.

For the purpose of establishing the statement of cash flows, cash and cash equivalents include cash in hand, sight deposits and short fixed-term deposits with banks and short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in financial liabilities.

Cash and cash equivalents are initially recognized at their purchase costs on the transaction date, and are subsequently measured at fair value. Changes in fair value are recognized in profit or loss.

h) Financial instruments

Classification of financial instruments according to IFRS 9:

Under IAS 39, the classification of financial assets is primarily based on category-specific definitions, which then determine the valuation. Under IFRS 9, classification categories are aligned with the valuation. In addition, the classification of financial assets is more principled and is based on two assessments:

- The characteristics of the contractual cash flows of the financial assets;
- The business model that the entity follows for the management of the financial asset.

Categories of financial assets according to IAS 39	Categories of financial assets according to IFRS 9
Financial assets at fair value through profit or loss (e.g. primarily cash and cash equivalents)	Amortized costs
Held-to-maturity investments	Fair value through other comprehensive income
Loans and receivables (e.g. accounts receivables)	Fair value through P&L
Available-for-sale financial assets (e.g. short-term investments and non-current financial assets)	

The table below summarizes the provisions for classifying financial assets in accordance with IFRS 9:

Categories according to IFRS 9:	Conditions:
• Amortized cost	• Holding financial asset is part of an economic model whose purpose is to hold financial assets in order to collect the contractual cash flows. The contractual terms of the financial asset give rise, at predetermined dates, to cash flows that correspond solely to repayments of principal and interest payments (RPVI) on the principal amount outstanding (contractual cash flows corresponding to RPVIs).
• Fair value through other comprehensive income	• The holding of the financial asset is part of an economic model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets (the economic model criterion) • The contractual terms of the financial asset give rise, on predetermined dates, to cash flows that are solely repayments of principal and interest payments on the principal amount outstanding (the contractual cash flows criterion corresponding to RPVIs) • An entity may, on initial recognition, make an irrevocable election to present in other comprehensive income any subsequent changes in the fair value of an investment in an equity instrument that falls within the scope of application. IFRS 9, which is not

	held for trading or contingent consideration recognized by an acquirer in a business combination to which IFRS 3 'Business Combinations' applies.
• Fair value through P&L	• A financial asset should be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. • An entity may, on initial recognition, make an irrevocable election to designate a financial asset as at fair value through profit or loss if, in doing so, that designation eliminates or substantially reduces an inconsistency accounting ("accounting mismatch") that would otherwise would result from the valuation of assets or liabilities or the recognition of gains or losses on them on different bases

The presentation of financial assets by categories with fair value measurements is provided in Note 4.

In accordance with the amendments to IFRS 7 *Financial Instruments: Disclosures*, financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

level 1: fair value calculated using quoted prices in an active market for identical assets and liabilities;

level 2: fair value calculated using valuation techniques based on observable market data such as prices of similar assets and liabilities or parameters quoted in an active market;

level 3: fair value calculated using valuation techniques based wholly or partly on unobservable inputs such as prices in an inactive market or a valuation based on multiples for unlisted securities.

i) Cash, cash equivalents, short term investments and non-current financial assets

Cash, cash equivalents and financial assets are composed of several types of instruments (see Note 4). All these instruments are designated as financial instruments measured at fair value through profit and loss according to the policy of the Company and in compliance with IFRS 9

The securities held by the company are non-representative titles of a share of capital, which is a transitional cash investment or permanent, not speculative. The company aims to obtain a minimum profitability measured in general with reference to the EONIA (Euro OverNight Index Average) corresponding to the daily reference rate of interbank deposits in white, by the perception of an income (interest or dividends) and/or the realization of added value on resale.

j) Trade receivables

Trade receivables are recognized when the company has an unconditional right to payment by the customer. In the event that the company has recognized turnover on a customer contract for an amount greater than the amounts already cashed or receivables already incurred, this amount is recognized as an asset on customer contracts. These assets on customer contracts correspond to payment rights which are conditioned by a future performance of the company.

Trade receivables represent short-term receivables valued at the amount of the original invoice. The book value corresponds to a reasonable approximation of the fair value.

A receivable is impaired if its book value is greater than its recoverable amount. The impairment is recognized in the statement of income (loss).

k) Financial liabilities

Financial liabilities are initially recognized on the transaction date, which is the date that the Company becomes a party to the contractual provisions of the instrument. They are derecognized when the Company's contractual obligations are discharged, cancelled or expire.

Financial liabilities comprise deferred revenue, loans and trade and other payables.
Financial liabilities are valued at amortized cost. The amount of interest recognized in financial expenses is calculated by applying the financial liability's effective interest rate to its carrying amount.

l) Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Main temporary differences are generally associated with the depreciation of property and equipment, provisions for pension benefits and tax losses carried forward, and the deferred tax liabilities / assets generated by the application of IFRS 15 (see note 2.a "Adoption IFRS 15"). Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Due to the Company's present stage of development, which does not allow it to establish reliable estimations concerning future taxable income, the Company has not accounted for net deferred tax assets.

In accordance with the legislation in force, the Company has tax losses that can be carried forward indefinitely for a cumulative total of €222.0 million as of December 31, 2018 (€220.0 million as of December 31, 2017).

m) Research tax credit and subsidies

Research tax credit

The research tax credit (*Crédit d'Impôt Recherche*, the "Research Tax Credit" or "CIR") is provided by the French tax authorities in order to encourage them to conduct technical and scientific research. Companies that can justify that these expenses meet the required criteria receive such grants in the form of a tax credit that can be used for the payment of taxes due for the period in which the expense was incurred and for the next three years. These grants are presented in revenues on the line 'public funding of research expenses', as soon as these eligible expenses were conducted.

The Company has benefited from a Research Tax Credit since its inception.

The Company received the reimbursement of the Research Tax Credit for the year 2017 during the year 2018. It has requested the reimbursement of the 2018 Research Tax Credit in 2019 under the European Community tax rules for small and medium firms in compliance with the applicable regulations in effect.

From 2011, only companies that meet the definition of small and medium sized enterprises according to European Union criteria are eligible for early reimbursement of their Research Tax Credit receivable. Management ensured that the Company is a SME according to European Union criteria and can therefore benefit from this early reimbursement.

The CIR is presented under other income in the statement of income (loss) as it meets the definition of government grant as defined in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20").

Subsidies

Government grants are recognized when there is a reasonable assurance that:

- The Company will comply with the conditions attached to the grants; and that
- The grants will be received.

Operating grants that offset expenses incurred by the group are booked in linear as income on the government financing for research expenditures' line according to the

progress of the costs incurred on the related research programs.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support to the Company with no future related costs, is recognized as other income of the period in which it becomes receivable.

Government grants to subsidize capital expenditures are presented in the statement of financial position as deferred income and are recognized as income on a straight line basis over the useful life of those assets that have been financed through the grants.

A non-repayable loan from the government is treated as a government grant when there is a reasonable assurance that the Company will meet the terms for non-repayment of the loan. When there is no such assurance, the loan is recorded as a liability under borrowings.

n) Employee benefits other than share-based compensation

Long term benefits

Company employees are entitled to pension benefits required by French law:

- Pension benefit, paid by the Company upon retirement ("Defined Benefit Plan"); and
- Pension payments from social security bodies, financed by contributions from businesses and employees ("Defined Contribution Plan").

In addition, the Company has implemented an additional, non-mandatory, pension plan ("Article 83"), initially for the benefit of executives only. This plan was extended to the non-executive employees starting on January 1, 2014. This other Defined Contribution Plan is financed through a contribution that corresponds to 2.2% of the annual employee's wage, with the Company paying 1.4% and the employee paying 0.8%.

For the Defined Benefit Plan, the costs of the obligations are estimated using the "projected unit credit" method. According to this method, the retirement cost is accounted for in the income statement, using an approach that divides the cost equally over the length of time that the employee has worked for the Company in compliance with the advice given by a qualified actuary during the annual review of the valuation of this plan. Such pension benefits are valued using the actual present value of estimated future payments, adopting the rate of interest of long-term bonds in the private sector (i.e. Euro zone AA or higher rated corporate bonds + 10 years). Actuarial differences are recognized in the period in which they occur in the statement of comprehensive income. The Company's commitments under Defined Benefit Plan are not covered by any plan assets.

Payments made by the Company for Defined Contribution Plans are accounted for as expenses in the income statement in the period in which they are incurred.

The Company also pays seniority bonuses to employees reaching 10, 15 and 20 years of seniority. These bonuses represent long term benefits within the meaning of IAS 19R and therefore a provision was booked.

Short term benefits

A liability is recognized for the amount the Company expects to expense relating to the bonuses paid in cash on a short term basis if the Company has an actual legal or implicit obligation to make to these payments in relation to services rendered and the obligation can be reliably estimated.

o) Leases

Finance leases

Leases of property and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Property and equipment acquired under finance-leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is divided between principal repayment and interest expense so as to achieve a constant rate on the outstanding amount due. The corresponding rental obligations, net of interest expenses, are included in borrowings. The interest expense is charged to the income statement over the lease period. Property and equipment acquired under finance leases are depreciated over the useful life of the asset.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating-leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

When a lease contract plan rent-free periods or when the paid rents are not equal on the contract duration, the minimum payments are deferred on a straight-line basis over the leasing period.

p) Trade payables

Trade payables are classified as current liabilities. They are initially recognized at cost. According to the delay between the recognition and the payment, the value of these liabilities is generally equal to the nominal value.

q) Provisions

In the course of its business, the Company could be exposed to certain risks, notably in relation to contractual arrangements. Management of the Company estimates the probability and the expected amount of a cash outflow associated with risks, together with the other information to be provided on possible liabilities. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that the Company is subject to a release of outflow representatives of economic benefits to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is certain.

r) Revenue and other income

R

ecognition of turnover and judgments relating thereto

To date, the Company's revenue results primarily from payments received in relation to research, collaboration and licensing agreements signed with pharmaceutical companies. These contracts generally provide for components such as:

- Non-refundable upfront payments upon signature of the contract,
- Payments for the exercise of the option to acquire licenses for drug candidates,
- Milestone payments upon reaching certain predetermined development objectives, or technology access fee, R&D funding, as well as the obtention of regulatory marketing approval,
- Payments related to our R&D activities,
- payments triggered by the start of commercialization of products resulting from development work or by reaching cumulative thresholds of product sales, as well as the allocation of royalties on future sales of products or a sharing of profits made on product sales.

Under these agreements, we are engaged to deliver to our customers licenses on intellectual property of drug candidates, as well as research and development services. According to IFRS 15, the Company has to determine if the promises included in the contract are disctinct (therefore recognized separately as revenue) or if they have to be combined as a single performance obligation. We conclude that the license is not distinct of the R&D services when the services require the own expertise of the Company. In such a situation, the customer is not is a position to benefit from the license on a stand-alone basis

Revenue from collaboration and license agreements

or combined to services provided by a third party, or the intellectual property is at a development stage where the R&D activities have a material impact on the initial object of the license.

When the Company reaches the conclusion that the license and the R&D services must be considered as a single performance obligation, the recognition of the proceeds is based on the percentage of completion of the costs to be incurred. Non-refundable initial payments are deferred and recognized as revenue during the period the Company is engaged to deliver services to the customer on the basis of the corresponding costs.

In accordance with IFRS 15, the variable counterparts cannot be included in the estimated transaction price as long as it not highly probable that the related revenue will not reversed in the future. According to the level of uncertainty relating to the results of preclinical and clinical trials and the decisions relating to the regulatory approvals, variable counterparts depending on these events are excluded from the transaction price as long as the trigger event is not certain. When the trigger event occurs, the corresponding milestone is added to the transaction price. The percentage of completion is applied to the global revised transaction price, which generates a catch up effect on revenue.

Revenues based on royalties, completion of commercialization steps or co-sharing profit from sales are recognized when the corresponding sales of products are carried out by the partner.

When the contract includes several distinct performance obligations, revenue is allocated to the different obligations proportionally to their specific transaction price, which corresponds to the price each performance obligation would have been sold in the context of a separate transaction. The specific transaction price of R&D services is determined by reference to the cost of the necessary resources increased by a margin in line with the market. The transaction price of the specific licenses is determined using the residual method.

When a collaboration contract grants to the pharmaceutical partner an option to acquire a license, the Company exercises adequate judgement to determine the beginning date of transfer of the control of the license. According to the situation, the recognition of the revenue begins from the date of the contract, the payment relating to the exercise of the option being therefore considered as a variable consideration, or the recognition is deferred until the exercise or the ending period of the option.

Product sales are recognized when the significant risks and rewards of ownership have been transferred to the customer.

When product sales are performed by a partner in the context of collaboration or transition agreements, the Company must determine if the partner acts as an agent or a principal. The partner is an agent and the Company is a principal when the latter has the ability to conduct the use of the products and to obtain all the residual economic benefits previously to the transfer of the control of the products to the customers. If the Company is a principal, sales are recognized as turnover. If the partner is principal, the Company recognized as a gain or a loss, the part of the revenue it is entitled to. These revenues are recognized in the statement of income on the line item "Net income (expenses) from distribution agreements" (see Note 15).

Government financing for research expenditures

This item includes the research tax credit and the grants obtained by the Company as described above.

s) Share-based compensation

The Company has issued various equity instruments since its inception. For share-based compensation granted to employees, the Company uses the Black-Scholes option pricing model to determine the fair value of the share-based compensation. For other individuals providing similar services, as the Company cannot estimate reliably the fair value of the goods or services received, it measures the value of share-based compensation and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted also using the Black-Scholes option pricing model. The fair value of free shares included in the model is determined using the value of the shares at the time of their distribution.

In calculating the amount of share-based compensation, the Company also considers the vesting period mechanism and, the employee turnover weighted average probability as described in Note 14. The fair value of the share-based compensation and free shares are recognized as personnel expenses over the period in which the rights are acquired. Other assumptions used are also detailed in Note 14.

The equity instruments granted are not subject to any market conditions.

t) Other comprehensive income

Items of income and expenses for the period that are recognized directly in equity are presented under "other comprehensive income". For the periods presented, this line item notably includes the potential gains and losses on available-for-sale financial assets until the date of their disposal (only for the 2017 fiscal year, the accounting treatment has changed following the application of IFRS 9 see Note 2), foreign exchange changes relating to the U.S. subsidiary's equity and the changes of actuarial assumptions relating to the defined benefit obligations.

u) Segment information

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 not appropriate to set up a separate business segments in its internal reporting.

v) Capital

Ordinary shares are classified in shareholders' equity. Costs associated with the issuance of new shares are directly accounted for in shareholders' equity in diminution of issuance premium.

The Company's own shares bought in the context of a brokering/liquidity agreement are presented as a reduction in shareholders' equity until their cancellation, their reissuance or their disposal.

w) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements under IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. The Company's actual results may differ from these estimates under different assumptions or conditions.

These estimates and judgments involve mainly:

- the accounting for collaboration and licensing agreements: when the Company is committed to perform R&D after the signing of an agreement, revenue is deferred prorata temporis on the basis of the estimated duration of its involvement or over the completion of the engaged costs. In the first situation, the recognition of revenue depends on the estimate of the duration of the works. The durations are updated when necessary to take into account the progress of developments and the remaining services to be rendered. In the second situation, the recognition of revenue depends on the recognition of the costs.
- the measurement of the subcontracting costs relating to the clinical trial costs: the completion of the subcontracting costs related to clinical trials is based on to allocation keys: time, for the services defined as fixed and linear and the number of visits for services resulting from the recruitment rate. If the Company is not sponsor of the trial, the criteria "visits" is replaced by the criteria "patients". For each clinicial trial, these allocation keys are applied to the study's budget. This methodology involves two types of estimation: the budget, the timeline of the clinical trial (for the allocation key "time") and the total number of visits (or "patients") for the criteria "visit" or ("patient"). Both estimated data are defined by the Clinical operations department and validated by the Management Team.
- the measurement of AstraZeneca invoices in the framework of the Monalizumab and Lumoxiti agreements: the quarterly invoices submitted under these agreements are based on estimates made by AstraZeneca on the basis of its accounting work. These invoices have a significant impact on the Company's operating expenses and liabilities
- the measurement of the fair value of share options, warrants and free shares granted to employees and non-employee members of the board of directors, scientific consultants and to service providers, performed on the basis of actuarial models; these models require the use by the Company of certain calculation assumptions such as the expected volatility of the share price (see Note 14).
- the measurement of our employee benefits obligations: the Company has recognized a defined benefit obligation of €3,281 thousand and a seniority award accrual of €415 thousand as of December 31, 2018 which are measured according to actuarial valuations. Inherent in these valuations are key actuarial assumptions such as the discount rate, mortality tables and rates of turnover in employee personnel. These assumptions are provided in Note 10 and a

change in these actuarial assumptions could have a material impact on the financial statements.

- the measurement of contingencies and loss provision: as part of its activities, the Company may be exposed to some risks, in particular those related to contractual commitments. It is required that the Management of the Company to exercise its judgment to estimate the probability of cash outflow and, if applicable, the amount of this cash outflow and the information to provide on the contingent liabilities.
- the estimate of the recoverable amount of the acquired and under progress licenses: see Note 6.
- the estimate of the useful life of the acquired licenses: see Note 6.

The significant changes in estimates during the periods under review are the following:

- The prospective amendment of the amortization plan of the monalizumab intangible asset, which is modified according to the estimate ending date of the Phase II clinical trials.
- The changes in estimate regarding the completion of the works and the variable consideration relating to the contracts signed with customers (see Note 13).
- Significant judgements resulting from the application of IFRS 15 are explained in Note 2.a Basis of preparation.

3. Management of financial risks and fair value

The principal financial instruments held by the Company are cash, cash equivalents and marketable securities. The purpose of holding these instruments is to finance the ongoing business activities of the Company. It is not the Company's policy to invest in financial instruments for speculative purposes. The Company does not utilize derivatives.

The principal risks to which the Company is exposed are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

Liquidity risk

Cash management of the Company is performed by the Finance department, in charge of monitoring the day-to-day financing and the short-term forecast and enables the Company to face its financial commitments by maintaining an amount of available cash consistent with the maturities of its liabilities. As of December 31, 2018, cash and cash equivalents amounted to €152.3 million, which represents more than a year of cash consumption.

The main characteristics of the financials instruments owned by the Company (including liquidity) are presented in Note 4.

Foreign currency exchange risk

The Company is exposed to foreign exchange risk inherent in certain subcontracting activities relating to its operations in the United States, which have been invoiced in U.S. dollars. The Company does not currently have recurring revenues in euros, dollars or in any other currency. As the Company further increases its business, particularly in the United States, it is expected to face greater exposure to exchange rate risk.

In order to cover this risk, the Company kept in U.S. dollars a part of the $250 million upfront payment received from AstraZeneca in June 2015.

The Company's foreign exchange policy does not include the use of hedging instruments.

Interest rate risk

The Company has very low exposure to interest rate risk. Such exposure primarily involves money market funds and time deposit accounts. Changes in interest rates have a direct impact on the rate of return on these investments and the cash flows generated. The Company has no credit facilities. The repayment flows of the advances from Bpifrance and the borrowings subscribed in 2017 are not subject to interest rate risk.

Credit risk

The credit risk related to the Company's cash equivalents, short term investments and non-current financial assets is not significant in light of the quality of the issuers. The Company deemed that none instrument of its portfolio is exposed to credit risk.

The fair value of financial instruments traded on an active market is based on the market rate as of December 31, 2018. The market prices used for the financial assets owned by the Company are the bid prices in effect on the market as of the valuation date.

Fair value

The nominal value, less the provisions for depreciation, of the accounts receivable and current liabilities, is presumed to approximate the fair value.

4. Cash, cash equivalents and financial assets

(in thousand euros)	As of December 31,	
	2018	2017
Cash and cash equivalents	152,314	99,367
Short-term investments	15,217	16,743
Cash, cash equivalents and short-term investments	*167,531*	*116,110*
Non-current financial assets	35,181	60,469
Cash, cash equivalents and financial assets	**202,712**	**176,578**

The variance of financial assets (current and non-current) for the fiscal years 2017 and 2018 are the following:

(in thousand euros)	December 31, 2017	Acquisitions	Disposals	Variance of fair value through P&L	Variance of fair value through OCI	Variance of accrued interests	F/X variance	December 31, 2018
Current	**16,744**	–	(2,704)	383	–	–	794	**15,217**
Non-current	**60,468**	–	(21,513)	(4,169)	–	(152)	547	**35,182**
Total financial assets	**77,212**	**–**	**(24,217)**	**(3,786)**	**–**	**(152)**	**1,341**	**50,399**

(in thousand euros)	December 31, 2016	Acquisitions	Disposals	Variance of fair value through P&L	Variance of fair value through OCI	Variance of accrued interests	F/X variance	December 31, 2017
Current	**21,782**	2,543	(5,646)	–	188	(20)	(2,103)	**16,744**
Non-current	**32,975**	40,728	(11,895)	(41)	259	281	(1,840)	**60,468**
Total financial assets	**54,757**	**43,271**	**(17,541)**	**(41)**	**447**	**261**	**(3,943)**	**77,212**

Cash and cash equivalents

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

(in thousand euros)	As of December 31,	
	2018	2017
Current accounts	111,726	29,829
Interest-bearing accounts	19,001	5,982
Fixed-term accounts	17,220	65,556
SICAV	4,367	–
Cash and cash equivalents	**152,314**	**99,367**

Fixed-term accounts meet the criteria to be considered as cash equivalents. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

Short term investments

(in thousand euros)	As of December 31,	
	2018	2017
Mutual funds ("OPCVM")	15,217	16,743
Short term investments	**15,217**	**16,743**

UCITS shares are defined as available-for-sale financial assets, measured at fair value through profit or loss.

The Company invests only in funds with a very conservative risk profile. As of December 31, 2018, the Company held shares in UCITS with a risk profile ranked 1 out of 7 (1 being the least risky) by the financial institution managing this fund.

The investment horizon of UCITS shares classified as "Current Financial Instruments" is less than one year and their liquidity is daily.

Non-current financial assets

(in thousand euros)	As of December 31,	
	2018	2017
Mutual funds ("OPCVM")	21,644	32,392
Other non-current financial instruments	11,494	24,433
Medium-term notes	-	1,598
Other non-current financial assets	2,043	2,046
Non-current financial assets	**35,181**	**60,469**

Parts of mutual funds are defined by the Company as assets available for sale measured at "Fair value though other comprehensive income". The Company only invests into funds with a very low level of risk. As of December 31, 2018, the Company owns shares of four mutual funds. The risk profiles of these funds are rated 2 and 3 out of 7 by the financial institution who manages and commercializes these funds (1 being the lowest risk profile). The maturity of the parts of mutual funds classified as non-current financial instruments is longer than one year.

Other non-current 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.

Cash, cash equivalents and financial assets per currency

(in thousand euros)	As of December 31, 2018			As of December 31, 2017		
	€	$	Total	€	$	Total
Cash and cash equivalents	93,089	59,225	**152,314**	62,480	36,887	**99,367**
Short term investments and other non-current financial	35,181	15,217	**50,398**	54,751	22,461	**77,211**
Total	**128,270**	**74,442**	**202,712**	**117,231**	**59,348**	**176,578**

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 few years.

Variance in fair value of financial instruments

(in thousand euros)	As of December 31,	
	2018	2017
Change in fair value through profit or loss[1]	(3,786)	(40)
Change in fair value through other comprehensive income[2]	–	447

(1) See Note 15 – this amount is an offset of €4,248 thousand of unrealized gains and €462 thousand of unrealized losses, which are recognized in financial income and financial expense, respectively.

(2) Financial instruments for which the change in fair value was recognized through other comprehensive income were only composed of mutual funds.

5. Receivables and other current assets

Receivables and other current assets are analyzed as follows:

(in thousand euros)	As of December 31,	
	2018	2017
Others[1]	108,585	139
Credit notes[2]	18,639	730
Research Tax Credit and other tax credits (e.g. CICE) and carry-back[3]	14,041	11,273
Prepaid expenses	4,211	5,898
VAT refund	2,807	2,675
Trade account receivables	2,522	–
Prepayments made to suppliers	1,264	430
Refund to be received ("CVAE")	43	267
Receivables and other current assets	**152,112**	**21,412**

(1) "Others" as of December 31, 2018, mainly correspond to the amounts owed by AstraZeneca in respect of the exercise of the IPH2201 exclusive license option ($100.0 million, or €87.3 million) and the grant of an option on IPH5201 ($24.0 million, or €21.0 million). These amounts were collected in the first quarter of 2019.

(2) The credit notes mainly refer to the rebate granted by AstraZeneca for the period 2019 for the development and commercialization costs of Lumoxiti ($15 million, or €13.1 million).

(3) The Company has received the refund of the research tax credit for the 2017 fiscal year during the year 2018. The Company will apply for the refund of the 2018 research tax credit in 2019 according to the Community tax regulations applicable to SMEs in compliance with regulatory texts in force. The amount recognized as of December 31, 2018 corresponds to the research tax credit 2018 and includes also €183.0 thousand of CICE (Crédit d'Impôt pour la Compétitivité et l'Emploi) which is a tax credit to aid competitiveness and promote employment.

Changes in the Research Tax Credit over the last two periods are presented as follows (in thousand euros):

As of December 31, 2016	**9,061**
Other operating income	11,022
Payment received	(9,061)
As of December 31, 2017	**11,022**
Other operating income	13,503
Payment received	(11,022)
As of December 31, 2018	**13,503**

The net book value of the receivables is considered to be a reasonable approximation of their estimated fair value.

All receivables and other current assets have payment terms of less than one year. No valuation allowance was recognized on accounts receivable as there is no past due receivable.

6. Intangible assets

The Company's assets can be broken down as follows (in thousand euros):

	Purchased licenses	Other intangible assets	In Progress	Total
Year ended December 31, 2017				
Net opening balance	**9,022**	**44**	**9**	**9,075**
Acquisitions		227	40,000[1]	40,227
Disposals	–	–	–	–
Transfers	–	9	(9)	–
Depreciation	(3,009)	(101)	–	(3,110)
Net closing balance	**6,013**	**179**	**40,000**	**46,192**
Year ended December 31, 2018				
Net opening balance	**6,013**	**179**	**40,000**	**46,192**
Acquisitions	43,801[2]	405	–	44,206
Disposals	–	(64)	–	(64)
Transfers	–	–	–	–
Depreciation	(5,630)	(175)	–	(5,805)
Net closing balance	**44,184**	**345**	**40,000**	**84,529**

[1] This amount corresponds to the acquisition of the anti-C5aR technology. The classification of this amount was amended compared to the 2017 financial statements since it is in progress and is therefore not amortized.

[2] This amount includes: €30,451 thousand relating to Lumoxiti, acquired from AstraZeneca, €13,050 of additional consideration to be paid to Novo Nordisk A/S following the exercise of the option by AstraZeneca for the monalizumab rights. These amounts were paid in January 2019.

Monalizumab rights acquired from Novo Nordisk A/S

The Company signed a strategic collaboration with Novo Nordisk A/S in 2006. On February 5, 2014, Innate Pharma announced the acquisition from Novo Nordisk A/S of the full development and commercialization rights to the anti-NKG2A antibody, a first-in-class immune checkpoint inhibitor. Novo Nordisk A/S collected €2 million and 600,000 Innate Pharma's shares and is eligible to a total of €20 million as soon as the product is registered and royalties based on future sales. The financial contribution of €7 million was recognized as intangible assets representing the acquired rights to Novo Nordisk A/S.

This asset is amortized on a straight-line basis over the anticipated residual duration of the Phase II trials planned by the Company.

The agreement with Novo Nordisk A/S mentioned previously included a price supplement in case of out-licensing agreement signed between the Company and a third-party including an upfront payment. Consequently, following the agreement signed with AstraZeneca in April 2015, Innate Pharma paid to Novo Nordisk A/S an additional consideration amounting to €6.5 million (paid in April 2016). Besides, following the exercise of the option by AstraZeneca in October 2018, Novo Nordisk A/S is entitled to a second and last price supplement amounting to $15.0 million (€13.1 million) which is recognized as a liability as of December 31, 2018. At the same date, there is no other potential price supplement due to Novo Nordisk A/S. These amounts were added to the net book value of the intangible asset and are amortized according to the same amortization plan than the initial €7.0 million initial payment recognized in 2014.

As of December 31, 2018, the net book value of the asset amounts to €12.7 million (€4.5 million as of December 31, 2017).

Anti-CD39 rights acquired from Orega Biotech

On January 10, 2016, Innate Pharma and Orega Biotech announced that they have entered into an exclusive licensing agreement by which Orega Biotech grants Innate Pharma full worldwide rights to its program of first-in-class anti-CD39 checkpoint inhibitors. The undisclosed upfront payment paid by the Company to Orega Biotech has been recognized as an intangible asset in the consolidated financial statements for the year ended December 31, 2016. Besides, criteria relating to the first development milestone were reached in January and December 2018. Consequently, the amount of these milestones was recognized as an intangible asset in addition to the initial payment.

This asset is amortized on a straight line basis since November 1, 2018 (corresponding to the effective beginning date of the collaboration) until the date Innate Pharma expects to fulfil its commitment (submission of an IND, last quarter of 2019).

Anti-C5aR rights acquired from Novo Nordisk A/S

On June 2, 2017, Innate Pharma announces that it enters into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401). The terms of the transaction provide for a total upfront payment of €40m, of which €37.2m will be paid in new Innate Pharma shares and €2.8m in cash. This amount was recognized as intangible asset. The anti-C5aR technology still being in progress of development, the acquired license is classified as in progress intangible asset. This asset is therefore not amortized and is part of an annual impairment test in order to compare its recoverable amount to its net book value. The amortization will begin when the Company obtains economic benefits.

According to the agreement, Innate Pharma will pay additional payments according to the reach of specific steps. As of December 31, 2018, according to the uncertainty of these potential payments, no liability was recognized.

Development costs incurred by Innate Pharma following the acquisition are recognized as operating expenses.

The main assumptions used for the impairment test are the following:

- Cash flows are set on the basis of the development and commercialization plans and budgets approved by Management;
- A discount rate amounting to 12%;
- A risk related to the development is taken into consideration through a success probability rate applied to the steps of the clinical development, based on an article published in Nature;
- For the commercialization, selling price and volume of sales are estimated on the basis of the potential market and the performances of comparable drugs currently on the market. A decrease rate is applied to the level of sales from the terminate date of protection of the rights.

In case of failure of the clinical trials in progress, the Company may have to partly or fully depreciate the intangible asset corresponding to the anti-C5aR right.

Innate Pharma did not identify any reasonable potential variance in the key assumptions that may generate a depreciation.

Sensitivity testing regarding the actuarial assumptions and other parameters like the discount rate (+/- 2 points), the decrease of the sales (+/- 2 points) and the price of the treatment (-50/+25 points) were performed.

Anti-C5aR is a drug candidate in progress of development which does not generate economic benefits yet for the Company. In accordance with IAS 38, it will be amortized when it generates economic benefits, which can result from:

- The commercialization of the drug if Innate Pharma carry out the development of the drug; or
- A collaboration agreement.

In the assumption of a commercialization, Innate Pharma would have to determine the useful life (considering the date of protection of the rights) and the amortization methodology. The amortization of a drug is generally recognized on a straight line basis during the expected commercialization period.

In the assumption of an agreement, this type of agreements being complex, an analysis will have to be performed in order to determine if the rights are transferred to the partner, and therefore a derecognition of the asset, or an amortization resulting from the economic benefits.

Lumoxiti rights acquired from AstraZeneca

On October 22, 2018, Innate Pharma acquired from AstraZeneca an exclusive license for the commercialization of Lumoxiti in the US and in Europe. Lumoxiti is a recently FDA-approved treatment for hairy cell leukemia. The acquisition price includes a $50 million initial payment (paid in January 2019) and conditional payments up to $25 million for future commercial and regulatory milestones. Innate Pharma will reimburse AstaZeneca for the development, production and commercialization costs incurred by AstraZeneca during the transition period, reduced by $15.0 million (€13 million), which corresponds to the maximum amount to be financed by AZ for commercial and R&D costs for the fiscal year 2019 (cost sharing mechanism)it. This credit was recognized as a reduction of the acquisition costs of the license.

The license is amortized on a straight line basis until July 31, 2031, which corresponds to the end of the protection of the rights of substance, without taking into account any extension or additional patents.

Development costs invoiced by AstraZeneca since the acquisition of the license mainly concern:

- Costs linked to the generation of safety's additional data requested by regulatory authorities; and
- Costs resulting from additional exploratory researches initiated by the Company.

They are recognized as operating expenses (see Note 15).

7. Tangible assets

	Land and buildings[1]	Laboratory equipments and other tangible assets	In Progress	Total
Year ended December 31, 2017				
Net opening balance	**3,900**	**5,164**	**30**	**9,094**
Acquisitions[2]	491	2,446	34	2,971
Disposals	–	(50)	–	(50)
Transfer	–	30	(30)	–
Depreciation	(297)	(987)	–	(1,284)
Net closing balance	**4,093**	**6,602**	**34**	**10,729**
Year ended December 31, 2018				
Net opening balance	**4,093**	**6,602**	**34**	**10,729**
Acquisitions[2]	–	725	316	1,041
Disposals	–	(22)	–	(22)
Transfer	–	30	(30)	–
Depreciation	(298)	(1,234)	–	(1,532)
Net closing balance	**3,795**	**6,101**	**320**	**10,216**

[1] The Company owns two lands. The one on which stands the buildings purchased in 2008 (gross value €772 thousand), and a second one, adjacent to the first one, acquired in December 2017 (gross value €491 thousand). They are not amortized.

[2] Of which €930 thousand financed through loans (€ 491 thousand for the acquisition of the land and €439 thousand for the acquisition of R&D equipments).

The table above includes the following tangible assets purchased through finance-lease agreements (in thousand euros):

	As of December 31,	
	2018	2017
Cost of land and building	6,633	6,633
Accumulated depreciation	(3,343)	(3,052)
Net book value of land and building	**3,290**	**3,581**
Cost of the equipment	3,675	3,675
Accumulated depreciation	(2,035)	(1,771)
Net book value of the equipment	**1,640**	**1,904**

8. Trade payables

This line item is analyzed as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
Suppliers (except asset suppliers)	41,676	19,970
Tax and social liabilities	5,661	4,404
Other payables	425	209
Operating trade payables	*47,762*	*24,583*
Property, Plant and Equipment suppliers	43,893	74
Trade payables	**91,655**	**24,657**

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

Collaboration's trade payables amount to €31.7 million as of December 31, 2018 including €21.0 million of current collaboration's trade payables and €10.7 million of non-current trade payables.

9. Financial liabilities

This line item was broken down per maturity and is analyzed as follows:

			As of December 31,	
In thousand euros	**2017**	**Collection**	**Reimbursements**	**2018**
BPI PTZI IPH41	1,125	-	(375)	750
Lease finance obligations - Real estate property	2,239	-	(894)	1,345
Down-Payment	(386)	-	152	(234)
Lease finance obligations - Equipments	1,160	-	(173)	987
Loans - Equipments	426	-	(54)	372
Other loan -	1,300	-	-	1,300
Total	**5,864**	**-**	**(1,344)**	**4,520**

The analyze of the line item as of December 31, 2017 was as follows:

				As of December 31,
In thousand euros	**2016**	**Collection**	**Reimbursements**	**2017**
BPI PTZI IPH41	1,425	–	(300)	1,125
Lease finance obligations – Real estate property	3,100	–	(861)	2,239
Down-Payment	(530)	–	144	(386)
Lease finance obligations – Equipments	1,332	–	(172)	1,160
Loans – Equipments	–	439	(13)	426
Other loan –	–	1,300	–	1,300
Total	**5,327**	**1,739**	**(1,201)**	**5,864**

	As of December 31,	
In thousand euros	**2018**	**2017**
Bpifrance PTZI IPH41(1)	300	375
Lease finance obligations – Real estate property	766	741
Lease finance obligations – Equipments	187	173
Loans	94	54
Total – Current financial liabilities	**1,347**	**1,343**
Bpifrance PTZI IPH41(1)	450	750
Lease finance obligations – Real estate transaction	344	1,112
Lease finance obligations – Equipments	800	989
Loans	1,579	1,672
Total – Non-current financial liabilities	**3,173**	**4,521**
Total financial liabilities	**4,520**	**5,864**

(1) Interest-free loan

In 2013, the Company was granted an interest-free loan for innovation (PTZI) relating to the program IPH4102 for an amount of €1.5 million, the repayment schedule being detailed in the below table.

Finance lease obligations relate primarily to real estate property in relation to the acquisition by the Company of its headquarters and main laboratories and are presented in the above table net of the cash collateral paid to Sogebail, the lessor. In the context of this operation, the Company paid a guarantee in the form of a down-payment. This down-payment amounts to €234 thousand as of December 31, 2018 (€386 thousand as of December 31, 2017).

In the table above, financial liabilities related to the lease finance obligations – real estate property realized in 2008 are net of the down payment granted to Sogébail.

On July 3, 2017, the Company borrowed from "Société Générale" in order to finance the construction of its future headquarters. This loan amounting to a maximum of €15.2m will be raised during the period of the construction at the same rate of the supplier payments. This period of raising is limited to August 31, 2019. The reimbursement of the capital will begin from September 1, 2019 to August 31, 2031 (12 years). In counterpart, the Company authorized collateral over financial "Société Générale" instruments amounting to €15.2 m. The maturity of the instruments is the following: €4.2 m in July 2024, €5.0 m in

July 2027 and €6.0 in July 2031. As of December 31, 2018, this loan has been raised to an amount of €1.3 million. The main characteristics of this loan are the following:

- Interest rate: 1.98% (fixed);
- Covenant: the Company must maintain an amount of total cash higher than the residual amount of the capital.

The table below shows the schedule for repayment of financial liabilities (principal only, in thousand euros):

Repayment schedule	<1 year	2 to 5 years included	> 5 years	Total
Bpifrance	300	450	-	**750**
Lease finance obligations - Real estate property	927	418	-	**1,345**
Down-payment	(160)	(74)	-	**(234)**
Lease finance obligations - Equipments	187	705	95	**987**
Loans - Equipments	54	219	99	**372**
Other loan -	40	393	867	**1,300**
Total	**1,348**	**2,111**	**1,061**	**4,520**

The table below shows the schedule for the contractual flows (being principal and interest payments, in thousand euros):

Repayment schedule	<1 year	2 to 5 years included	>5 years	Total
Bpifrance PTZI IPH41	300	450	-	**750**
Lease finance obligations - Real estate property	956	420	-	**1,376**
Down-payment	(167)	(74)	-	**(241)**
Lease finance obligations - Equipments	179	716	97	**992**
Loans-Equipments	57	228	100	**385**
Other loan -	40	488	935	**1,463**
Total	**1,365**	**2,228**	**1,132**	**4,725**

Fair value of financial liabilities

The fair value of financial liabilities, calculated on the basis of discounted future cash flow, was €4,427 thousand and €5,402 thousand as of December 31, 2018 and 2017, respectively, using level 3 fair value measurements.

10. Defined benefit obligations

	As of December 31,	
Defined benefit obligations	**2018**	**2017**
Allowance for retirement defined benefit	3,282	2,255
Allowance for seniority awards	415	366
Total - Defined benefit obligations	**3,697**	**2,621**

Defined benefit obligations are related to retirement costs. In France, pension funds are generally financed by employer and employee contributions and are accounted for as defined contribution plans with the employer contributions recognized as expense as incurred. There are no actuarial liabilities in connection with these plans. Expenses recorded in the years ended December 31, 2017 and 2018 amounted to €982 thousand and €1,277 thousand respectively.

French law also requires payment of a lump sum retirement indemnity to employees based on years of service and annual compensation at retirement. Benefits do not vest prior to retirement. The Company pays for this defined benefit plan. It is calculated as the present value of estimated future benefits to be paid, applying the projected unit credit method whereby each period of service is seen as giving rise to an additional unit of benefit entitlement, each unit being measured separately to build up the final.

On March 24, 2016, the Company entered into an internal labor agreement with the employees representatives whereby the Company is committed to paying a seniority award after 15 years and 20 years of employment. This award is paid on the anniversary date. A similar award existed for employees having a seniority of 10 years but was not booked due to its insignificant amount. As such, in 2016 the Company recorded a provision for seniority awards and a corresponding charge included in "Staff costs other than share-based payments" (see Note 14) other than payments in action. These awards are akin other long term benefits according to IAS 19. This provision is determined by an external actuary firm and amounts to €415 thousand as of December 31, 2018 (€366 thousand as of December 31, 2017).

The main actuarial assumptions used to evaluate retirement benefits are the following:

	As of December 31,	
	2018	2017
Economic assumptions		
Discount rate (iBoxx Corporate AA) for retirement	1,80%	1,70%
Annual rate of increase in wages	4,50%	3,00%
Demographical assumptions		
Type of retirement	At the initiative of the employee	At the initiative of the employee
Rate of tax and social charges	45,20%	45,20%
Age at retirement		
- Executives	64 years	64 years
- Non-executives	62 years	62 years
Mortality table	TH-TF 00-02	TH-TF 00-02
Annual mobility	All personnel	All personnel
16-24 years	5.0%	4.0%
25-29 years	3.0%	2.5%
30-34 years	2.5%	2.0%
34-39 years	2.0%	1.5%
40-44 years	1.5%	1.0%
45-49 years	1.0%	0.5%
+50 years	0.0%	0.0%

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

As of December 31, 2016	**2,418**
Service cost	363
Interest costs	36
Actuarial (gain) / loss	(196)
As of December 31, 2018	**2,621**
Service cost	434
Interest costs	43
Actuarial (gain) / loss	599
As of December 31, 2018	**3,697**

There is no asset covering the defined benefit obligations.

In accordance with IAS 19, the impact of the change in the actuarial assumptions was recognized for the years ended December 31, 2018 and 2017 in other comprehensive income for an amount of €599 thousand (loss) and €178 thousand (income) in 2018 and 2017, respectively. An increase/decrease of +/- 50 basis points in the discount rate would result in a decrease/increase of the total benefit obligation of €300 thousand.

The main actuarial assumptions used to evaluate seniority awards as of December 31, 2018 are the following:

- Discount rate: 1.14%
- Rate of annual increase in wages: 4.5%
- Rate of contributions: 45.20%
- Rate of wage costs: 23.29%
- Age of retirement: 64 years for executives, 62 for non-frames
- Mortality Table: TH - TF 00-02
- Annual mobility rate: 2.1% on average

The actuarial losses and gains related to these commitments (ie a loss of €599 thousand as of December 31, 2018) are recognized in equity (see "Statement of changes in equity").

11. Share capital

As of December 31, 2018 and 2017 the breakdown of share capital can be analyzed as follows (number of shares with a par value of €0.05, in thousands of shares).

	As of December 31,	
	2018	2017
Common shares, opening	57,600	53,921
Share capital increase resulting from the exercise of securities giving access to the share capital	50	91
Share capital increase resulting from the definitive acquisition of free shares	22	244
Share capital increase resulting from the share capital increase reserved to MedImmune in 2018	6,260	3,344
Share capital increase resulting from the definitive acquisition of preferred shares (B Shares)		7
Common shares (A Shares), closing	**63,932**	**57,600**
Preferred shares (B Shares), closing	**7**	**7**

Details of changes in share capital over the two last fiscal years

On January 24, 2017, subsequent to the exercise of BSAAR 2012, BSA 2011-2 and BSA 2014, the Executive board recorded a share capital increase for a nominal amount of €1,947.50 (38.950 shares), bringing the capital to €2,698,012.70.

On February 10, 2017, subsequent to the exercise of BSAAR 2012 and BSA 2013, the Executive board recorded a share capital increase for a nominal amount of €2,525 (50,500 shares), bringing the capital to €2,700,537.70.

On June 14, 2017, subsequent to the exercise of BSAAR 2012, the Executive board recorded a share capital increase for a nominal amount of €92.50 (1,850 shares), bringing the capital to €2,700,630.20.

On July 13, 2017, subsequent to a capital increase remunerating a contribution in kind, the Executive board recorded a share capital increase for a nominal amount of €167,187.40 (3,343,748 shares), bringing the capital to €2,867,817.60.

On October 23, 2017, subsequent to the definitive acquisition of AGA and AGAP, the Executive board recorded a share capital increase for a nominal amount of €5,135.05 (98,770 ordinary shares (A Shares) and 3,931 preferred shares (B Shares)), bringing the capital to €2,872,952.65.

On March 6, 2018, subsequent to the definitive acquisition of AGA and AGAP, the Executive Board recorded a share capital increase, with effect on December 30, 2018, for a nominal amount of €7,398.90 (144,978 new ordinary shares (A Shares) and 3,000 new preferred shares (B Shares), bringing the capital to €2,880,351.55.

On October 5, 2018, subsequent to the definitive acquisition of AGA (AGA Bonus 2017-1), the Executive Board recorded a share capital increase, with effect on September 20, 2018, for a nominal amount of €1,102.75 (22,055 new ordinary shares (A Shares)), bringing the capital to €2,881,454,30.

On October 25, 2018, subsequent to a capital increase reserved to MedImmune, the Executive Board recorded a share capital increase for a nominal amount of €313,025 (6,260,500 new shares), bringing the capital to €3,194,479.30 (see 3.2.2.3)

On November 29, 2018, subsequent to the exercise of BSA 2011-2 and BSA 2013, the Executive Board recorded a share capital increase for a nominal amount of €2,500 (50,000 new shares), bringing the capital to €3,196,979.30.

Securities giving access to the capital

Operations securities giving access to the capital during the last three fiscal years were as follows:

	BSA	Options	BSAAR	AGAP Management	AGAP Employees	AGA Management	AGA Employees	AGA Bonus	AGA Performance Management	AGA Performance Employees
Balance as of December 31, 2015	**460,700**		**1,431,182**							
Cancelled warrants and options in 2016			(2,720)							
Exercised warrants and options in 2016	(25,000)		(62,290)							
AGAP Management attributed on 10/21/16				2,000 (3)						
AGAP Employees attributed on 10/21/16					2,486 (4)					
AGA Management attributed on 10/21/16						50,000 (1)				
AGA Employees attributed on 10/21/16							99,932 (2)			
AGAP Management attributed on 12/30/16				3,000 (6)						
AGA Management attributed on 12/30/16						250,000 (5)				
AGA Employees attributed on 12/30/16							149,943 (7)			
Balance as of December 31, 2016	**435,700**		**1,366,172**	**5,000**	**2,486**	**300,000**	**249,875**			
AGA and AGAP not definitely acquired in 2017				(450) (8)	(105) (8)		(6,127) (8)			
Exercised warrants and options in 2017	(88,200)		(3,100)							
AGA definitely acquired in 2017							(243,748)(9)			
BSA attributed on 09/20/17	37,000 (10)									
AGA Bonus attributed on 09/20/17								28,556		
AGA Bonus cancelled								(3,577)		

following their attribution										
Balance as of December 31 2017	**384,500**	**0**	**1,363,072**	**4,550**(11)	**2,381** (11)	**300,000**	**0**	**24,979**(12)		
AGAP 2017-1 attributed on 04/03/18				2 400 (13)	5 725 (13)					
AGA Employees attributed on 04/03/18							114 500(14)			
AGA Bonus Management attributed on 07/03/18								67 028 (15)		
AGA Bonus not acquired in 2018								(2 924) (16)		
AGA bonus definitely acquired in 2018								(22 055) (16)		
AGA Performance attributed on 11/20/2018									260 000 (17)	327 500 (17)
Warrants exercised in 2018	(50 000) (18)									
Balance as of December 31 2018	**334 500**		**1 363 072**	**6 950**	**8 106**	**300 000**	**114 500**	**67 028**	**260 000**	**327 500**

(1) Distribution of 50,000 AGA Management 2016-1, definitely attributed at the end of a three-year acquisition period, starting on October 21, 2016;

(2) Distribution of 99,932 AGA Employees 2016-1, definitely attributed at the end of a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017;

(3) Distribution of 2,000 AGAP Management 2016-1, definitely attributed at the end of a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017, giving right, in case of conversion, to a maximum of 400,000 ordinary shares;

(4) Distribution of 2,486 AGAP Employees 2016-1, definitely attributed at the end of a one-year a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017, giving right, in case of conversion, to a maximum of 497,200 ordinary shares;

(5) Distribution of 250,000 AGA Management 2016-2, definitely attributed at the end of a three-year acquisition period, starting on December 30, 2016;

(6) Distribution of 3,000 AGAP Management 2016-2, definitely attributed at the end of a one-year acquisition period, starting on December 30, 2016, followed by a two-year retention period, starting on December 30, 2017, giving right, in case of conversion, to a maximum of 600,000 ordinary shares;

(7) Distribution of 149,943 AGA Employees 2016-1, definitely attributed at the end of a one-year acquisition period, starting on December 30, 2016, followed by a two-year retention period, starting on December, 2017.

(8) At the time of definitive acquisition of (a) AGA Employees 2016-1, AGAP Employees 2016-1 and AGAP Management 2016-1, the Executive board of October 23, 2017 recorded that (i) 450 AGAP Management 2016-1 (giving right, in case of conversion, to a maximum of 90,000 ordinary shares) (ii) 105 AGAP Employees 2016-1 (giving right, in case of conversion, to a maximum of 21,000 ordinary shares) and (iii) 1,162 AGA Employees 2016-1, could not be definitely acquired because the presence condition was not met at the definitive acquisition date and (b) AGA Employees 2016-2, the Executive Board of March 6, 2018, with effect on December 30, 2017, recorded that 4,965 AGA Employees 2016-2 could not be definitely acquired because the presence condition was not met at the definitive acquisition date.

(9) The Executive Board of October 23, 2017 recorded the definitive acquisition of 98,779 AGA Employees 2016-1 and the Executive Board of March 6, 2018, recorded, with effect on December 30, 2017, the definitive acquisition of 144,978 AGA Employees 2016-2

(10) Distribution of 40,000 BSA 2017-1 to the independent members newly appointed or renewed by the Annual General Meeting of June 23, 2017 and subscription of 37,000 BSA 2017-1 at the end of the subscription period.

(11) The Executive Board of October 23, 2017 recorded the definitive acquisition of 1,550 AGAP Management 2016-1 and 2,381 AGAP Employees 2016-1 and the Executive Board of March 6, 2018 recorded, with effect on December 30, 2018, the definitive acquisition of 3,000 AGAP Management 2016-2. The AGAP Management 2016-1 and 2016-2, together, give right, in case of maximum conversion to 910,000 ordinary shares and the AGAP Employees 2016-1 give right, in case of maximum conversion, to a maximum of 476,200 ordinary shares.

(12) Distribution of 28,556 AGA Bonus 2017-1 definitely attributed at the end of a one-year acquisition period as from September 20, 2017 followed by a one-year retention period starting on September 20, 2018 (number of AGA Bonus 2017-1 definitely attributed to each beneficiary depending on the achievement of their annual individual objectives). Following the waiver of such method of payment by a beneficiary, 3,577 AGA Bonus Management 2017-1 were not attributed. In accordance with the recommendations of the Compensation and nomination committees held on December 8, 2017 and January 30, 2018, adopted on the basis of the 2017 objectives achievement assessment of the Executive Board and Committee members, an Executive Board will record, as soon as possible as from September 20, 2018, the definitive acquisition of 22,055 AGA Bonus Management 2017-1 (see 2.3.2.1.2).

(13) Distribution of 2,400 AGAP Management 2017-1 and 5,725 AGAP Employees 2017-1, definitely attributed definitely attributed at the end of a one-year acquisition period, starting on April 3, 2018, followed by a two-year retention period, starting on April 3, 2019, giving the right, in case of conversion, to a maximum of 812,500 ordinary shares.

(14) Distribution of 114,500 AGA Employees 2017-1, definitely attributed at the end of a one-year acquisition period, starting on December April 3, 2018, followed by a two-year retention period, starting on April 3, 2019.

(15) Distribution of 67,028 AGA Bonus Management 2018-1, definitely attributed at the end of a one-year acquisition period, starting on July 3, 2018, followed by a two-year retention period, starting on July 3, 2019.

(16) The Executive Board of October 5, 2018 recorded, with effect on September 20, 2018, the definitive acquisition of 22,055 AGA Bonus 2017-1 on the 28,556 attributed;

(17) Distribution of 260,000 AGA Performance Management 2018 and of 327,500 AGA Performance Employees 2018-1, definitely attributed at the end of a three-year acquisition period as from November 20, 2018, proportionally to the achievement of performance criteria

(18) The Executive Board of November 29, 2018, recorded the exercise of 12,500 BSA 2011-2 and 37,500 BSA 2013.

- Circulating securities as of December 31, 2018

The circulating BSA as of December 31, 2018, give right to subscribe 334,500 new ordinary shares with a nominal value of €0.05 per share.

The circulating BSAAR as of December 31, 2018, give right to subscribe 1,363,072 new ordinary shares with a nominal value of €0.05 per share.

The circulating AGA as of December 31, 2018, will give right to the attribution, at the end of the attribution period, to 481,528 new ordinary shares with a nominal value of €0.05 per share.

The 6,931 circulating AGAP 2016 as of December 31, 2018, will give right to the subscription, in case of achievement of the performance criteria, to the conversion into a maximum of 1,386,200 new ordinary shares with a nominal value of €0.05 per share.

The 8,125 circulating AGAP 2017 as of December 31, 2018, will give right to the subscription, in case of achievement of the performance criteria, to the conversion into a maximum of 812,500 new ordinary shares with a nominal value of €0.05 per share.

The 587,500 circulating AGA Performance 2018 as of December 31, 2018, will give right to the subscription, at the end of the above mentioned attribution period and in case of achievement of the performance criteria, to the conversion into a maximum of 587,500 new ordinary shares with a nominal value of €0.05 per share.

As of December 31, 2018, the BSA, BSAAR, AGA AGAP and AGA Performance, gave right, in case of maximum conversion of the AGAP, to the subscription of a maximum of 4,965,300 new ordinary shares, with a nominal value of €0.05 per share, representing 7.78% of the share capital.

- History of distributions

On March 27, 2014, the General Meeting of shareholders authorized the creation of 150,000 BSA ("BSA 2014") giving right to subscribe to 150,000 new shares. The Executive board, meeting on July 16, 2014, upon authorization of the Supervisory board, attributed 150,000 BSA ("BSA 2014") to consultants.

On April 27, 2015, the General Meeting of shareholders authorized the creation of 150,000 BSA ("BSA 2015") giving right to subscribe to 150,000 new shares. The Executive board, meeting on April 27, 2015, upon authorization of the Supervisory board, attributed 80,000 BSA ("BSA 2015-1") to independent Supervisory board members and to members of Scientific Advisory Board and 70,000 of which have been subscribed by the beneficiaries, as recorded by the Executive board of September 25, 2015

The Executive board, using the same General Meeting's authorization than above, meeting on July 1st, 2015, upon authorization of the Supervisory board, attributed 25,000 BSA ("BSA 2015-2") to a new independent Supervisory board member and 14,200 of which have been subscribed by the beneficiary, as recorded by the Executive board of December 7th, 2015.

On April 27, 2015, the General Meeting of shareholders authorized the creation of 1,500,000 BSAAR ("BSAAR 2015") giving right to subscribe to 1,500,000 new shares. The Executive board, meeting on July 1st, 2015, upon authorization of the Supervisory board, attributed 1,499,207 BSAAR ("BSAAR 2015") to employees and members of Executive board and 1,050,382 of which have been subscribed by the beneficiary, as recorded by the Executive board of December 7, 2015.

On June 2, 2016, the General Meeting of shareholders authorized the free attribution of 7,500 preferred shares (AGAP) each convertible into a maximum of 200 ordinary shares, subject to the achievement of performance criteria.

On June 2, 2016, the General Meeting of shareholders authorized the free attribution of 600,000 free shares (AGA).

The Executive board, meeting on October 21, 2016, upon authorization of the Supervisory board, attributed 2,000 AGAP Management and 50,000 AGA Management to corporate officers and 2,486 AGAP Employees and 99,932 AGA Employees to employees.

The Executive board, meeting on December 30, 2016, upon authorization of the Supervisory board, attributed 3,000 AGAP Management and 250,000 AGA Management to a corporate officer and 149,943 AGA Employees to employees.

The General Meeting of June 2, 2016 authorized the creation of 150,000 BSA giving right to the subscription of 150,000 new shares. The Executive board, meeting on 19 September 2017, upon authorization of the Supervisory Board, attributed 40,000 BSA 2017-1 to newly appointed or renewed members of the Supervisory Board, 37,000 of which were subscribed at the end of the subscription period on November 30, 2017.

The General Meeting of June 23, 2017 authorized the creation of 50,000 free shares to be issued to the benefit of Executive Committee members employed and/or corporate officers of the Company and its consolidated subsidiaries (eligible under articles L. 225-197-1 et. Seq. of the Code of commerce) under their annual variable compensation (the "AGA Bonus"). The Executive board, meeting on September 19, 2017, attributed 28,556 AGA Bonus 2017-1 to the Executive Committee and Executive board members. One Executive committee member has waived the possibility to receive a part of his annual variable compensation in free shares. Thus, the number of AGA Bonus 2017-1 attributed is 24,979.

The General Meeting of June 23, 2017 authorized the attribution of 12,500 AGAP 2017 to the benefit of Executive Committee members employed and/or corporate officers of the Company, each AGAP 2017 being convertible into 100 ordinary shares, subject to the achievement of certain performance criteria.

On June 23, 2017, the General Meeting of shareholders authorized the attribution of 200,000 free shares (AGA 2017-1) to employees.

The Executive board meeting of April 2, 2018 attributed (i) 2,400 AGAP 2017-1 to the benefit of Executive Committee members employed and/or corporate officers of the Company, (ii) 5,725 AGAP 2017-1 and 114,500 AGA 2017-1 to employees of the Company.

On May 29, 2018, the General Meeting of shareholders authorized the attribution of 750,000 AGA Performance 2018-1 to employees and Executive Committee members employed and/or corporate officers of the Company, which will be definitely acquired subject to the achievement of certain performance criteria.

The General Meeting of May 29, 2018 authorized the creation of 90,000 free shares to be issued to the benefit of Executive Committee members employed and/or corporate officers of the Company, as part of their annual variable remuneration (AGA Bonus 2018-1).

The General Meeting of May 29, 2018 authorized the attribution of 110,000 free shares (AGA 2018-1) to employees.

The Executive board meeting of July 3, 2018 attributed 67,028 AGA Bonus 2017-1 to the members of the Executive committee and the Executive Board.

The Executive board meeting of November 20, 2018 attributed (i) 260,000 AGA Performance 2018-1 to the Executive Committee members employed and/or corporate officers of the Company and (ii) 327,500 AGA Performance 2018-1 to employees of the Company.

Holding by the Company of its own shares

The Company held 18,575 own shares as of December 31, 2018.

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 December 31, 2018	Book value on the statement of financial position	Fair value through profit and loss(1)	Fair value through comprehensive income(2)	Receivables(3)	Fair value
Financial assets					
Other non-current assets	35,181	33,138	–	2,043	35,181
Current receivables.....	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					
Other non-current liabilities ..	3,173	–	–	3,173	3,173
Non-current financial liabilities	1,347	–	–	1,347	1,347
Current financial liabilities	79,341	–	–	79,341	79,341
Total financial liabilities	**83,861**	**–**	**–**	**83,861**	**83,861**

As of December 31, 2017	Book value on the statement of financial position	Fair value through profit and loss(1)	Fair value through comprehensive income(2)	Receivables(3)	Fair value
Financial assets					
Other non-current assets	60,469	26,030	32,392	2,046	60,469
Current receivables.....	21,412	–	–	21,412	21,412
Short-term investments.....	16,743	–	16,743	–	16,743
Cash and cash equivalents.....	99,367	99,367	–	–	99,367
Total financial assets	**197,990**	**125,397**	**49 ,135**	**23 ,458**	**197,990**
Financial liabilities					
Other non-current liabilities ..	4,521	–	–	4,521	4,521
Non-current financial liabilities	1,343	–	–	1,343	1,343
Current financial liabilities	24,657	–	–	24,657	24,657
Total financial liabilities	**30,521**	**–**	**–**	**30,521**	**30,521**

(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 fair value of financial assets classified as fair value through comprehensive income corresponds to the market value of the assets, which are primarily determined using level 1 measurements.

(3) The book amount of financial assets and liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

In accordance with the amendments to IFRS 7 "Financial Instruments: disclosures", financial instruments are presented in three categories based on a hierarchy of methods used to determine fair value:

Level 1: fair value determined based on quoted prices in active markets for assets or liabilities;

Level 2: fair value determined on the observable database for the asset or liability concerned either directly or indirectly;

Level 3: fair value determined on the basis of evaluation technique based in whole or in part on unobservable data.

13. Revenue and other income

Revenue from collaboration and licensing agreements

The Company's revenue from collaboration and licensing agreements amounts to €79,892 thousand and €32,631 thousand for the year ended December 31, 2018 and 2017 respectively.

	Year ended December 31,	
(in thousand euros)	2018	2017
-Monalizumab and IPH5201 agreements - Recognition of the proceeds[1]	77,178	32,346
IPH5201 and IPH5401 agreements - Invoicing of R&D costs	2,242	-
Exchange gains on collaboration agreement	465	272
Total collaboration agreements	**79,885**	**32,618**
Others	7	13
Revenue from collaboration and licensing agreements	**79,892**	**32,631**

[1] The impact of the application of the IFRS 15 standard is presented in Note 2a.

Monalizumab agreement

In April 2015, the Company entered into a collaboration agreement with AstraZeneca ("AZ") for the development and commercialization of monalizumab. According to this agreement, the Company granted a license to AZ, and was committed to realize and finance certain initial clinical studies, and to contribute to the financing of AZ's other Phase I / II clinical studies. The Company received an upfront payment of $250 million in June 2015. In October 2018, AZ exercised the option of license exclusivity, triggering a payment of $100 million, payable to Innate Pharma in January 2019. Following this exercise, the contract was amended to extend the scope of initial studies to be carried out and financed by Innate Pharma as well as the field of co-financed studies. The financial terms of the agreement include milestone payments due to Innate Pharma, including $100 million at the initiation of a Phase III clinical study, up to $400 million for other payments from development and regulatory milestones, up to $425 million in milestone payments, and double-digit sales royalties. The agreement also allows Innate Pharma to opt for 30% co-financing of phase III clinical trials, in return for co-promotion rights in Europe and 50% of profits in this territory for Innate Pharma.

The contract is treated as a single performance obligation including the license and initial clinical studies that AZ has committed to perform. As a result, the Company recognizes the price of the transaction in income on the basis of the progress of studies that Innate Pharma has undertaken to carry out under the agreement. Advancement is assessed on the basis of recognized costs in relation to the total costs to be incurred for these studies.

The transaction price was initially estimated on the basis of the initial payment received from AZ, less the amounts that Innate Pharma expects to pay to AZ for co-financing Phase I / II clinical studies. The additional payment of $ 100 million triggered by AZ's exercise of the exclusivity option was treated as a change in the price estimate of the transaction. In addition, the amendment of the contract, which modified the scope and budget of the studies to be carried out by Innate Pharma as well as the arrangements for sharing the cost of the other studies, led to a revision of the degree of progress and the price of the transaction. In total, the exercise of the option and the amendment of the contract resulted in the recognition of a favorable cumulative adjustment of €32.0 million income in the revenue of the 2018 financial statements. The subsequent milestone payments are excluded from the transaction price due to the uncertainties they contain.

The variance of the deferred revenue relating to this agreement is presented in the following schedule (in thousand euros):

As of December 31, 2016	**167,260**
Recognition in P&L for the fiscal year 2017- *Revenue from collaboration agreements*	(32,346)
As of December 31, 2017, as published	**134,914**
Restatement related to the first application of IFRS 15	(53,083)
As of December 31, 2017, revised	**81,831**
Recognition in P&L for the fiscal year 2018- *Revenue from collaboration agreements* (1)	(61,546)
Impact of the raise of the option by AstraZeneca(2)	85,357
Transfer to collaboration liabilities	(717)
As of December 31, 2018	**104,925**

(1) Without exercise of the option, the amount recognized as revenue would have amounted to €39.6 million. The impact of the exercise on 2018 sales amounted to €32.0 million.

(2) The exercise of the $100.0 million option was converted to €87.0 million, of which €85.4 million was recognized as deferred income and €1.6 million recognized in collaboration liabilities.

3

IPH5201 agreement

On October, 2018, Innate Pharma signed a collaboration and option agreement with AstraZeneca for further co-development and co-commercialization with Innate for its CD39 monoclonal antibody, IPH5201. AstraZeneca will pay Innate Pharma $50 million upfront ($26 million paid in October 2018 and $24 million paid in January 2019) plus an option exercise fee, milestones (up to $800 million), and royalties. Innate will have the potential for co-promotion and profit sharing in the EU.

The Company concluded that the option and the preclinical studies are a single performance obligation. The transaction price amounts to the $50 million, increased by the amount to be invoiced to AstraZeneca for the R&D works. This amount is recognized as revenue based on the percentage of completion of the costs of the preclinical studies. The milestone corresponding to the raise of the option and future milestones are excluded of the transaction price due to the level of uncertainty of their occurrence.

The variance of the deferred revenue relating to this agreement is presented in the following schedule (in thousand euros):

As of December 31, 2017	-
Initial payment	43,501
Recognition in P&L for the fiscal year 2018- *Revenue from collaboration agreements*	(15,632)
As of December 31, 2018	**27,869**

Preclinical molecules agreement

On October 23, 2018, Innate Pharma signed an exclusive license option agreement on four to be-agreed molecules from Innate Pharma's preclinical portfolio. The agreement includes a non-refundable $20.0 million upfront payment (paid on October 2018 and recognized for an amount of €17.. million), a $35.0 million milestone for each molecule previously to the raise of the option, and several milestones and royalties on sales. Innate will have the potential for co-promotion and profit sharing in the EU, if the Company agrees to co-finance the Phase III clinical trials. As long as the options are not raised by AstraZeneca, Innate Pharma runs, carry out and finance the R&D works.

The agreement is considered as an option to acquire future goods and services. The ignition payment was recognized as deferred revenue. The recognition of the revenue will begin upon the raise or the termination of each option, at the earliest.

IPH5401 agreement

In January 2018, The Company announced that it has entered into a clinical trial collaboration with AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with selected solid tumors. Innate Pharma will be the sponsor of the trial and the costs will be equally shared between the two partners.

Schedule of variance of deferred revenue

The variance of the global deferred revenue is presented in the following schedule:

(in thousand euros)	December 31, 2017 as published	Impact IFRS 15	December 31, 2017 as revised	Proceeds	Recognition in P&L	Transfer to collaboration liabilities	December 31, 2018
Monalizumab	134,914	(53,083)	**81,831**	85,358	(61,548)	(715)	**104,925**
Anti-CD39	–	–	**–**	43,501	(15,632)	–	**27,869**
Preclinical molecules	–	–	**–**	17,400	–	–	**17,400**
Total	**134,914**	**(53,083)**	**81,831**	**146,259**	**(77,180)**	**(715)**	**150,195**[1]

[1] Of which €82,096 thousand of current and €68,098 thousand of non-current deferred revenue.

(in thousand euros)	Initial payment AZ	Total
As at December 31, 2016	167,261	**167,261**
Recognition in P&L- *Revenue from collaboration agreements*	(32,346)	**(32,346)**
As at December 31, 2017[1]	**134,914**	**134,914**

[1] Of which €47,909 thousand of current and €87,005 thousand of non-current.

Government financing for research expenditures

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

- Investment and operating grants and
- Research Tax Credits.

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

(in thousand euros)	Year ended December 31,	
	2018	2017
Research Tax Credit	13,527	11,041
Grant	533	361
Government financing for research expenditures	**14,060**	**11,402**

14. Operating expenses

(in thousand euros)	Year ended December 31,	
	2018	2017
Other purchases and	(51,766)	(47,609)
Employee benefits other than share-based compensation	(19,121)	(15,163)
Depreciation and	(7,402)	(4,396)
Cost of supplies and	(3,819)	(4,287)
Employee benefits - Share-based compensation	(2,707)	(9,829)
Intellectual property	(1,380)	(1,499)
Provision for late payment	-	(504)
Other income and	(1,502)	(728)
Total net operating expenses	**(87,697)**	**(84,015)**

Other purchases and external expenses

(in thousand euros)	Year ended December 31,	
	2018	2017
Subcontracting [1]	(42,327)	(37,996)
Non-scientific advisory and consulting [2]	(5,260)	(4,357)
Leasing and maintenance	(1,968)	(1,781)
Travel expenses and congress attendance	(992)	(1,294)
Marketing, communication and public relations	(518)	(649)
Scientific advisory and consulting [3]	(349)	(845)
Attendance fees	(212)	(205)
Others, net	(140)	(482)
Other purchases and external expenses	**(51,766)**	**(47,609)**

(1) The Company subcontracts a significant part of its preclinical (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. The increase between 2017 and 2018 is essentially due to the progress of the preclinical and clinical programs including related to Lumoxiti following the agreement signed with AstraZeneca in October 2018. In accordance with this agreement, AstraZeneca will invoice Innate Pharma development cost during the transition.

(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. The results from advisory fees in relation with the Company's structuring in a context of strong growth. The table below details the audit fees per Audit Firm:

(in thousand euros) **Year ended December 31,**

	2018			2017		
	Audit Conseil Expertise – PKF	**Deloitte & Associés**	**Total**	**Audit Conseil Expertise – PKF**	**Deloitte & Associés**	**Total**
Audit fees	201	599	**800**	157	707	**867**
Non-audit fees*	4	6	**10**	9	24	**30**
Total net operating	**205**	**605**	**810**	**166**	**731**	**897**

* Non-audit fees: these fees correspond to services performed by the auditors related to the production of certification in the context of the declaration of expenses for the obtention of grants; to the verification report of social and environmental information, special reports within the framework of operations on Innate Pharma's capital

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

Employee benefits other than share-based compensation

The line item amounted to €19,121 thousand and €15,163 thousand for the years ended December 31, 2018 and 2017 respectively. The Company had 195 employees as of December 31, 2018, compared to 188 as of December 31, 2017.

The Company benefited from the "competitiveness and employment tax credit" (CICE) for an amount of €180 thousand for the fiscal year 2017 (€233 thousand for 2017). This tax credit will be mainly used to reinforce the research teams. It is deducted from the line item "Employee benefits other than share-based compensation".

Depreciation and amortization

The line item is mainly composed of the amortization of: - the monalizumab, aIPH5201and Lumoxiti intangible asset (see Note 6).

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. This line item amounts to €3,819 thousand and €4,287 thousand for the years ended December 31, 2018 and 2017, respectively.

Intellectual property expenses

Intellectual property expenses amounted to €1,380 thousand and €1,499 thousand for the fiscal years ended December 31, 2018 and 2017, respectively.

For the acquisition of intellectual property rights from third parties, excluding the acquisitions of patents by way of assignation, the Company has three different types of agreements:

- exclusive option agreements, which correspond to an exclusive period during which the Company evaluates the opportunity to acquire the licensing rights of the intellectual property subject to the option agreement. The Company generally pays an option fee and bears the past and/or present intellectual property expenses related to the invention subject to the option agreement;
- exclusive licensing agreements of which the duration varies according to contractual conditions but which is generally the same as the life of the underlying intellectual property. The Company pays the past and/or present expenses related to the intellectual property and also costs related to access to technology, milestone payments when they are achieved and in the case of marketing of the products/technologies covered by the intellectual property, royalties on sales; and
- exclusive collaboration and licensing agreements including some exclusive collaboration on a specific

work program or for a specific area of which the duration is limited in time, and an exclusive license of a varying duration according to contractual conditions but which generally coincides with the life of the underlying intellectual property. The Company agrees to bear research and development expenses for the exclusive collaboration part, and, for the exclusive license part, pays fees to access technology, intellectual property expenses, milestone payments when they are achieved and in the case of marketing of the products/technologies covered by the intellectual property, royalties on sales.

Employee benefits – Share-based compensation

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

	Year ended December 31,	
	2018	2017
BSA ("Bons de souscription d'actions")	–	21
Free shares (2016)	1,392	4,414
Free preferred shares (2016)		5,394
Free shares (2017)	456	–
Free preferred shares (2017)	567	
Free Bonus shares (2018)	208	
Free preferred shares (2018)	84	
Share-based compensation	**2,707**	**9,829**

BSA « Bons de souscription d'actions »

The Company granted BSA to its Board members. The valuation of these BSA has been measured according to a Black-Scholes methodology.. The main assumptions used in the Black-Scholes pricing model were as follows:

	BSA 2017
Beneficiaries	Board Members
Subscription date	December 2017
Authorized number	40,000
Subscribed number	37,000
Subscription price in euros	1.1
Expiration date	December 2027
Acquisition period	None
Underlying asset market price in euros	€10.41
Exercise price in euros	€11
Return on dividend	None
Volatility	61.74%
Free risk interest	0.20%
Expected maturity	6 years
Estimated fair value in euros	0.57

Free shares 2016

The expenses relating to the free shares granted in 2015 was calculated using the closing price of the Innate Pharma share at grant date. In the absence of acquisition period, the expense was entirely recognized during the 2015 fiscal year.

Contrary to the free shares granted in 2015, the shares granted in 2016 include either a one year acquisition period followed by a two years non-transferability period or a three years acquisition period. The expense relating to these free shares was calculated using the closing price of the Innate Pharma share at grant date, reduced when necessary of an estimated turn-over rate and a discount for non-transferability. The recognition of this expense is recognized on a straight-line basis over the acquisition period. The expenses related to free shares amounted to €1,392 as of December 31, 2018.

Free shares 2017

The free shares granted in 2018 provide for a one-year vesting period extended by a one-year lock-up period. The charge for these free shares was calculated based on the closing price of the Innate Pharma share at the grant date, reduced when necessary by an estimated staff turnover rate and a non-transferability discount.

The recognition of this expense is spread over the vesting period. The amount recognized as an expense amounted to €512 thousand as of December 31, 2018.

Free bonus shares 2018 and 2017

The free shares 2018 and 2017 were granted ito the Executive members Committee who decide to opt or not for this compensation mechanism. These instruments provide a one-year vesting period extended by a one-year lock-up period. This mechanism is based on the payment of 50% of their annual variable compensation with a bonus of 30% depending on the achievement of their individual objectives. In case of over-performance (target achieved above 100%), the share above 100% is paid in cash. The charge for these free shares was calculated based on the closing price of the Innate Pharma share at the grant date, reduced when necessary by an estimated staff turnover rate and a non-transferability discount. The recognition of this expense is spread over the vesting period. The amount recognized as an expense is €208 thousand as of December 31, 2018.

Free preferred shares 2017

The preference shares granted in 2018 are subject to a vesting period of one-year and a two-year retention period. The conversion of these shares is indexed to external objectives measured between the initial and the final share price.

The valuation of these free shares was preferably done by an external firm. The Company has recognized an expense over a period of one year on a straight-line basis, this period being the vesting period. The amount recognized as an expense amounted to €567.0 thousand as of December 31, 2018.

The valuation of an AGAP comprises 3 stages:

- The assessment of the expectation of gain associated with the internal condition and the price condition, made on the basis of a CAPM model of the share price using a Monte Carlo approach;
- The results obtained are adjusted for the prospective turnover rate for the beneficiaries of the plan, which takes into account the allocation of AGAPs according to the categories of beneficiaries and the historical rate, as well as the impact of the non-transferability of AGAPs.
- In the case of an instrument with external conditions (market conditions) and internal to the Company, only the variation of internal conditions is taken into account in the update of the valuation recognized in accounting under IFRS 2.

The main assumptions used for the calculation of the free preferred shares are the following:

	AGAP 2017-1	AGAP 2017-1
Beneficiaries	Employees	Executive Committee members
Grant date	April 2018	April 2018
Number of AGAP granted	2,400	5,725
Number of AGAP acquired	-	-
Acquisition date	April 2019	April 2019
Non transferability period	2 years after acquisition date	2 years after acquisition date
Return on dividend	None	None
Reference stock price	€5.52	€5.52
Volatility (excluding "Alpha")	55%	55%
Turn-over rate (yearly basis)	5%	11%
Non transferability discount (yearly basis)	20.00%	20.00%
Estimated fair value in euros	€90	€90

Free preferred shares 2018

The free performance shares granted in 2018 are indexed to performance conditions based on an external condition (stock market price) and a vesting kicker triggered by the realization of an internal condition. The vesting period is three years. The percentage of shares acquired will depend on the final price and the realization of the internal condition.

The valuation of these free shares was preferably done by an external firm. The Company has recognized an expense over a period of three years on a straight-line basis, this period being the vesting period. The amount recognized as an expense amounts to €84.0 thousand as of December 31, 2018.

The valuation of an AGAP comprises 3 stages:

- Achievement of the performance condition;
- The realization of the internal condition conditioned by positive results on a pivotal test
- The appreciation of a vesting kicker according to the fulfillment of these two conditions above;

In the case of an instrument with external conditions (market conditions) and internal to the Company, only the variation of internal conditions is taken into account in the update of the valuation recognized in accounting under IFRS 2.

The main assumptions used for the calculation of the free preferred shares are the following:

	AGAP 2018-1	AGAP 2018-1
Beneficiaries	Employees	Executive Committee members
Grant date	November 2018	November 2018
Number of AGAP granted	327,500	260,000
Number of AGAP acquired	-	-
Acquisition date	November 2021	November 2021
Non transferability period	-	-
Return on dividend	-	-
Reference stock price	€8.00	€8.00
Volatility (excluding "Alpha")	45%	45%
Turn-over rate (yearly basis)	3.92%	10%
Non transferability discount (yearly basis)	20.00%	20.00%
Estimated fair value in euros	€3.81	€3.81

As of December 31, 2018, employers' contributions relating to free shares were paid for an amount of €68 thousand euros.

15. Net income (loss) from distribution agreements

- During the transition period, Lumoxiti is commercialized in the US by AstraZeneca who is the owner of the market authorization. The Company concluded that AstraZeneca acts as a principal for the sales of the drug in the US.
- Given the progress of the parties in the implementation of the transition, it was determined that, during the period between the acquisition of the license and the end of the 2018 fiscal year, AstraZeneca acted as principal in the sale of Lumoxiti products in the USA. As a result, Innate Pharma recognized a net income (loss) from distribution agreements for the period resulting from the sales of the period (which are insignificant) and the administrative and selling expenses equivalent to a charge of € 1.1 million, corresponding to expenses related to the production and marketing costs invoiced by AstraZeneca regarding to the proceeds of sales of drugs attributable to Innate Pharma.

16. Financial income / (expense)

Financial income and (expense) can be analyzed as follows (in thousand euros):

(in thousand euros)	Year ended December 31,	
	2018	**2017**
Gains on financial assets	1,582	1,254
Foreign exchange gains	4,068	784
Other financial income	352	463
Financial income	**6,002**	**2,501**
Unrealized losses on financial assets	(3,942)	(3,238)
Interest on financial liabilities	(102)	(113)
Foreign exchange losses	(3,851)	(6,661)
Other financial expenses	(534)	(523)
Financial expenses	**(8,429)**	**(10,535)**
Financial income, net	**(2,427)**	**(8,034)**

For the fiscal years 2017 and 2018, the foreign exchange gains and losses mainly result from the strong variance of the exchange rate between the Euro and the U.S. dollar.

Unrealized losses on financial assets relate to unquoted instruments, the fair value of which is determined using level 2 measurements.

17. Income Tax

Taking into account its stage of development, which prevents management from making sufficiently reliable taxable income forecast, the Company does not recognize deferred tax assets with the exception of the amount corresponding to deferred tax liabilities / assets generated with the application of IFRS 15. Temporary differences mainly results from finance leases, provision for defined benefit obligation and tax losses carryforwards. As of December 31, 2018, the net amount of deferred tax asset excluding tax losses carryforwards was €19 thousand (€250 thousand of deferred tax liability as of December 31, 2017).

As of December 31, 2018, the amount of accumulated tax loss carryforwards since inception was €220.5 million with no expiration date (€220.5 million as of December 31, 2017).

For the fiscal year ended December 31, 2016, the Company recognized a tax expense amounting to €0.3 million, corresponding to a 15% tax rate (IP box regime). During the fiscal year 2017, the Company eventually reached the conclusion that its 2016 tax result was not eligible to this regime. Consequently, a €0.4 million expense was recognized as of December 31, 2017, corresponding to the difference between the standard 33.33% tax rate and the 15% rate.

During the fiscal year 2018, the Company opted for the carry back mechanism. This accounting and tax mechanism, consists in postponing the deficit of a company on the profits of its previous three (maximum) years and gives rise to a tax credit (amounting to 0.3 million euros as of December 31, 2018).

Tax rate reconciliation

(in thousand euros)	Year ended December 31,	
	2018	2017
Income before taxes	**3,049**	**(48,385)**
Statutory tax rate	33,33%	33,33%
Tax benefit / (loss) calculated at statutory tax rate	(1,016)	16,127
Increase/decrease in tax expense arising from:		
Research Tax Credit	4,500	3,674
Provision for defined benefit obligations	(359)	(96)
Share-based compensation	(902)	(3,276)
Revenue from collaborations with customers	1,830	-
Non-recognition of deferred tax assets related to tax losses and temporary differences	(214)	(16,800)
Carry-back	333	-
Other differences	(179)	371
Effective tax expense	333	-
Effective tax rate (a)	0.93%	0%
Deferred tax income / (loss) (b)	-	(368)
Income tax expense (a)+(b)	333	(368)

18. Commitments, contingencies and litigations

Commitments

Financial leasing – Real estate

Due to the increase of employees, the Company signed at June 30, 2017 a lease to rent a new building. The lease covers a period of nine years with possibility for termination after three and nine years. As of December 31, 2018, the commitment related to the rent until June 30, 2020 amounts to €449 thousand.

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 December 31, 2018, the overall commitment was amounting to €281thousand for the period from January 2019 to June 2020.

Rentals of company cars

The Company signed leases for its company cars. As of December 31, 2018, this commitment totaled €21 thousand.

Loan

As of July 17, 2017, the Company took out a loan amounting to €15.2 million in order to finance the acquisition of a land and the construction of its future headquarters. As of December 31, 2018, the Company raised this loan to €1.3 million. The commitment as of December 31, 2018 therefore amounts to €13.9 million.

In counterpart, the Company authorized collateral over financial "Société Générale" instruments amounting to €15.2 m. The maturity of the instruments is the following: €4.2 m in July 2024, €5.0 m in July 2027 and €6.0 in July 2031.

Contingencies and litigations

On April 4, 2012, Platine Pharma Services SAS, our former subsidiary, received a tax notice suggesting that it should pay a tax on salaries of €91 thousand. The management of Platine Pharma Services does not agree with this position on the ground that the status of Platine Pharma Services is exempt from such tax as it is a commercial company. The period subject to the tax audit was prior to the acquisition by Transgene of an equity interest in Platine Pharma Services which was at the time a wholly-owned subsidiary of Innate Pharma. Therefore, in accordance with the liabilities guarantee clause, the contingent liability resulting from this adjustment would be borne by the former parent company. Based on an assessment of the technical merits of this position, the Company believes that it is not probable that an outflow of resources embodying economic benefits will be required to settle the contingency and, as a result, has not recognized a provision in the consolidated financial statements. This litigation ended as of December 31, 2018.

Innate Pharma 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 was analyzed at the closing date after consultation of advisors. There is no acknowledging litigation as of December 31, 2018.

Provisions

As of December 31, 2018, the item amounts to €0.7 million (1.0 million euros as of December 31, 2017). They consist solely of the employer contribution in respect of the grants of employee equity instruments. In accordance with IFRS 2, when an enterprise decides to provide its employees with shares bought back on the market, it must therefore recognize a provision upon the decision to allocate free shares that are spread over the vesting period when the plan conditions actions for employees when they join the company at the end of the plan.

19. Related party transactions

Members of the Executive board and Executive Committee

For each of the period presented, the following compensation was granted to the eight members of the executive committee of the Company and were recognized as expense (in thousand euros):

	Year ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	2,340	1,587
Extra pension benefits	12	12
Share-based compensation	1,856	4,805
Executive Committee members compensation	**4,208**	**6,584**

As of December 31, 2018, two of the members of the Executive Committee, are also members of the Executive board.

Salaries and other short-term employee benefits correspond to amounts effectively paid during the calendar year to which they relate.

On December 31 2018, Jérôme Tiollier resigned from his function of Executive Board.

Calculation of share-based compensation is detailed in Note 14.

Members of the Supervisory board

The Company recognized a provision of €216 thousand for attendance fees (*jetons de présence*) relating to the fiscal year ended December 31, 2018 which should be paid in 2019. This amount includes the compensation for the Board Chairman for an amount €0.5 million.

The Company is linked to Novo Nordisk A/S (sharehorlder with 13.9% of the capital) by three licensing agreements related to the drug-candidates lirilumab, monalizumab and anti-C5aR. Under the terms of the agreement, Novo Nordisk A/S is eligible to receive milestone payments as well as royalties on future sales.

As of December 31, 2018, the Company has a €13.0 million liability (including €4.1 million related to the whitholding tax to be paid to the Tax Office) towards Novo Nordisk A/S relating to the additional consideration for monalizumab following the exercise of the option by

Related parties

AstraZeneca and a €756 thousand liability relating to a production delivery of IPH5401.

The Company is related to AstraZeneca (shareholder with 9.8% of the capital) 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 at 31 December 2018 are as follows:

	As of December 31, 2018	
(in thousand euros)	**Payments**	**Assets/Liabilities**
Collection (AstraZeneca towards Innate Pharma) / Receivables	102.6	123.9
Payments (Innate Pharma towards AstraZeneca) / Liabilities	(17.3)	(50.0)
Total[1]	**85.3**	**73.50**

(1) In addition, the Company recognized in the income statement a net expense of € 1.1 million as net result from distribution agreements (see Note 15) and an R & D expense of € 1.1 million as operating expenses (see note 14).

As mentioned in Note 9, Bpifrance (shareholder with 6.9%) granted the Company a €1.5 million interest free loan (Prêt à Taux Zéro Innovation, or "PTZI"). This loan will be reimbursed starting in September 2016 over a 5 year period.

For further details, refer to the chapter 2.2

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.

Participations

None.

Miscellaneous

As of December 31, 2018 and 2017, the Company did not identify any management and/or equity relationship between the major suppliers used in 2018 and 2017 and the members of its Supervisory board, its Executive board or its Executive Committee, excepting Novo Nordisk A/S. Indeed, during the fiscal year 2018, Novo Nordisk A/S agreed to produce some batches of the anti-C5aR antibody.

20. Income/(loss) per share

Basic income/(loss) per share

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

	Year ended December 31,	
	2018	2017
Net income (loss)	3,049	(48,385)
Weighted average number of ordinary shares in circulation (in thousands)	58,777	(54,352)
Basic loss per share (€ per share)	**0.05**	**(0.89)**

Diluted income/(loss) per share

Diluted loss per share are calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Year ended December 31,	
	2018	2017
Net income (loss)	3,049	(48,385)
Weighted average number of ordinary shares in circulation (in thousands)	58,777	54,352
Adjustments for warrant and free shares	570	-
Diluted loss per share (€ per share)	**0.05**	**(0.89)**

21. Events after the reporting date

Pursuant to the authorization granted by the General Meeting of the Company's shareholders held on May 29, 2018, the Executive Board, on January 14, 2019, allocated 90,650 free shares to the employees of the Company (AGA Employees 2018-1).

3.3.2. Statutory auditors' report on the consolidated financial statements For the year ended December 31, 2018

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Innate Pharma Annual General Meeting,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Innate Pharma for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as of December 31, 2018 in accordance with International Financial Reporting Standards as adopted by the European Union

The audit opinion expressed above is consistent with our report to the Audit Committee.

- **Observation**

Without qualifying the above opinion, we draw your attention to Note 2a to the consolidated financial statements, which describes the accounting changes relating to the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments, as adopted by the European Union and applicable to periods starting on or after January 1, 2018.

- **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

- **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the consolidated financial statements taken individually.

Key audit matter	Our response
Recognition of clinical subcontracting costs *(See Notes 2w and 14 to the consolidated financial statements for the year ended December 31, 2017)*	
Subcontracting costs, which represent a critical component of the financial statements given the Group's activity, account for 48% of the operating expenses. These expenses include clinical study costs (coordination of trials, hospital costs, etc.) that are subcontracted to hospital and clinical research centers. Due to the sometimes significant delays between the completion of services and their invoicing by subcontractors, the expenses recorded in the accounts based on invoices received must be adjusted. This adjustment is automatically calculated and carried out, based on management estimates of the percentage of completion of ongoing trials entered in the information system. This completion is measured via Management's analysis of the following components: • the total forecast costs to be incurred for each study (budgets), • the expected duration of the studies or the number of patient visits or the number of patients, based on the criterion deemed most appropriate to assess the completion. Management is required to make material judgments since the estimate of the amount of services already rendered must be recorded at the closing date. Consequently, we considered the recognition of clinical subcontracting costs to be a key audit matter.	We examined the appropriateness of the control procedures implemented by the Company for the clinical subcontracting costs. This work was completed by substantive tests which consisted in assessing, based on sampling and by exercising our professional judgment: • the appropriateness of the completion criterion adopted with respect to the type of services provided; • the consistency of the components adopted in the calculation of expenses on completion (budgets, estimated durations of studies, number of patients, number of patient visits) in relation to contracts concluded with service providers, subject to our understanding of the change in the studies and the actual data available (recruitment of patients, number of patient visits, reports communicated on scientific results, etc.). • the correct allocation of the expenses invoiced by the service providers to the study concerned. We also verified, by sampling, the automatic calculation of adjustment entries used to record clinical subcontracting costs on completion and their upload into the accounting system.

Key audit matter	Our response
Agreements with AstraZeneca relating to monalizumab and the anti-CD39 antibody *(See Notes 1, 2a, 2r, 2w and 13 to the consolidated financial statements for the year ended December 31, 2018)*	
In April 2015, Innate Pharma signed a co-development and commercialization agreement with AstraZeneca for the product monalizumab, under which the Company completed several phase II studies and assumed the costs. Innate Pharma also concluded a multi-term agreement with AstraZeneca on October 22, 2018. Under this agreement, AstraZeneca obtained all the monalizumab oncology rights, thereby extending the April 2015 agreement. Under the initial agreement of April 2015, Innate Pharma received an advance of US$ 250 million on June 30, 2015. In addition, the Company received US$ 100 million in January 2019. The purpose of these payments was to remunerate the services rendered by the Company over the duration of the studies. They were recorded in revenue on a percentage of completion basis, based on the costs recorded in the income statement in relation to the total costs to be incurred for the studies concerned. Under the multi-term agreement with AstraZeneca of October 22, 2018, AstraZeneca also acquired an option from Innate Pharma covering the anti-CD39 antibody in consideration for an amount of US$ 50 million, of which US$ 26 million was paid to Innate Pharma in December 2018 and US$ 24 million in January 2019. As with the aforementioned agreement covering the monalizumab product, the purpose of these payments was to remunerate the services rendered by the Company over the duration of the studies. The same accounting treatment was applied. Revenue from cooperation and licensing agreements (€79.9 million) comprises in full the recognition of a portion of the aforementioned amounts for 2018. Beginning of January 1, 2018, the Company will apply IFRS 15 – *Revenue from Contracts with Customers*, which supersedes IAS 18 – *Revenue* applicable until this date. In this context, we considered the recognition of revenue relating to the agreements with AstraZeneca and the impacts of the entry into force of IFRS 15 to be a key audit matter, for the following reasons: • the correct recording of revenue is based on an appropriate measurement of the completion of studies, which implies material management judgments on the forecast total budget of these studies and the appropriate consideration of the expenses already incurred for these studies; • revenue represents a sensitive indicator for both the presentation of the consolidated financial statements and the Company's financial reporting.	We familiarized ourselves with the agreements concluded between Innate Pharma and AstraZeneca, in order to assess the compliance of the method used to record in revenue the amounts on completion opposite based on expenses incurred, with IFRS 15 *Revenue from Contracts with Customers*. We also assessed the appropriateness of: • the control procedures implemented by the Company for the recognition of the AstraZeneca agreement, • the expenses incurred (including their allocation to the proper study) and forecast expenses taken into account to measure the percentage of completion of the studies, by considering the work covering the clinical subcontracting costs described above. Lastly, we verified that the Notes to the consolidated financial statements provided a satisfactory disclosure regarding the impacts of the entry into force of IFRS 15 as of January 1, 2018.

Specific verifications

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Executive Board's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

Audit Conseil Expertise SAS, member of PKF International, were appointed as statutory auditors of Innate Pharma by the Annual General Meeting held on June 29, 2000, while Deloitte & Associés were appointed on March 27, 2014.

As of December 31, 2018, Audit Conseil Expertise SAS, member of PKF International, and Deloitte & Associés were in the 18th and 4th year of total uninterrupted engagement, which are the 12th year and 4th year since the Company was admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

These consolidated financial statements have been approved by the Executive Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

- **Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. He is responsible for the direction, supervision and performance of the audit of the consolidated financial statements as well as for the audit opinion.

• Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Marseille, April 26, 2019
The Statutory Auditors

Audit Conseil Expertise SAS	**Deloitte & Associés**
Member of PKF International	
Guy CASTINEL	Hugues DESGRANGES

3.3.3. Financial statements Prepared under Generally Accepted Accounting Principles in France as of December 31, 2018

Accounting principles in France

Balance Sheet
(in thousand euros)

	Note	As of December 31, 2018	2017
Assets			
Non-current assets			
Intangible assets	3	97,579	46,192
Buildings	4	505	512
Property and equipment	4	3,779	3,893
Other tangible fixed assets	4	1,009	846
Financial assets	5	35,406	60,329
Total non-current assets		**138,278**	**111,773**
Current assets			
Trade accounts receivables	6	2,935	-
Other receivables	7	132,148	15,873
Short term investments	8	14,585	16,426
Cash and cash equivalent	8	152,267	99,362
Total current assets		**301,935**	**131,662**
Adjustment accounts			
Prepaid expenses	9	4,211	5,898
Total adjustment accounts		**4,211**	**5,898**
Total assets		**444,426**	**249,332**

Balance Sheet
(in thousand euros)

	Note	As of December 31 2018	2017
Liabilities			
Shareholders' equity			
Share capital	10	3,197	2,880
Share premium	10	278,558	216,207
Retained earnings		(136,707)	(97,947)
Net income (loss)		11,444	(38,761)
Tax regulated provisions	12	1,063	850
Total shareholders' equity		**157,555**	**83,230**
Provisions			
Provisions for contingencies and losses	12	959	1,012
Pensions and similar obligations	12	3,697	2,621
Total provisions		**4,656**	**3,632**
Liabilities			
Borrowings	13	2,422	2,851
Trade notes payable	14	88,603	20,123
Tax and social liabilities	15	5,902	4,378
Other liabilities		681	205
Deferred income	16	184,607	134,914
Total liabilities		**282,215**	**162,470**
Total liabilities		**444,426**	**249,332**

Income Statement
(In thousand euros)

	Note	Year ended December 31, 2018	2017
Revenue from collaboration agreements	16	100,774	32,359
Operating grants	10	533	361
Reversal of provisions, transfer of charges		1,070	238
Other operating income		530	357
Total operating income		**102,907**	**33,315**
Purchases of raw materials and other supplies	17	(3,872)	(4,286)
Other purchases and external expenses	18	(71,664)	(49,943)
Taxes	29	(950)	(338)
Salaries	20	(12,256)	(9,667)
Social charges	20	(6,310)	(4,889)
Depreciation and amortization expense	21	(6,847)	(3,841)
Change in provisions for contingencies and liabilities	11	(1,619)	(1,331)
Other expenses		(687)	(522)
Total operating expenses		**(104,205)**	**(74,818)**
Operating income (loss)		**(1,298)**	**(41,502)**
Financial income / (expense), net	22	(399)	(7,539)
Result before tax and exceptional items		**(1,697)**	**(49,040)**
Exceptional income / (expense), net	23	(719)	(393)
Research tax credit	24	13,527	11,041
Income tax	24	333	(368)
Net income (loss)		**11,444**	**(38,761)**

Statement of cash flows
(In thousand euros)

	Note	Year ended December 31 2018	2017
Cash flow from operating activities			
Net income (loss)		**11,444**	**(38,761)**
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization on fixed assets	21	6,847	3,841
Increase / (reversal) of provision and excess of tax depreciation	12	1,238	1,377
Depreciation on financial non-current assets	5, 12	3,389	1,087
Gain / (loss) on the disposal of assets		22	50
Interests on assets and other financial assets	22	(1,438)	(981)
Gross cash flow		**21,502**	**(33,387)**
Net change in workig capital related to activities[(1)]		(41,169)	(16,891)
Net cash from / (used in) operating activities		**(19,667)**	**(50,278)**
Cash flow from investing activities			
Acquisition of tangible and intangible assets	3,4	(14,479)	(6,032)
Variance of financial assets	5	21,535	(28,346)
Interests on assets and other financial assets	22	1,438	981
Net cash from / (used in) investing activities		**8,494**	**(33,396)**
Cash flow from financing activities			
Proceeds from the exercice / subscription of equity instruments	10	111	491
Increase in capital	10	62,557	-
Repayment of financial liabilities	13	(429)	(313)
Collection of borrowings	13	-	1,739
Net cash from / (used in) financing activities		**62,239**	**1,917**
Variance of treasury		**51,065**	**(81,757)**
Opening treasury		115,788	197,545
Closing treasury		**166,852**	**115,788**
Including:			
Cash and cash equivalent		152,267	99,362
Marketable securities		14,585	16,426
Total of closing treasury		**166,852**	**115,788**

Change in working capital	Note	2018	2017	Variance
Trade accounts receivables and prepaid expenses	6, 7, 9	139,294	21,771	(117,523)
Deferred revenue	16	(184,607)	(134,914)	49,693
Operational liabilities (excluding payables relating to capex)	14, 15	(51,367)[1]	(24,706)	26,661
Change in working capital		**(96,680)**	**(137,849)**	**(41,169)**

[1] Operational liabilities includes trade payables excluding trade payables on fixed assets amounting to € 44.8 million, tax and social security liabilities of € 5.9 million and other debts of € 1.0 million.

Change in working capital	Note	2017	2016	Variance
Trade accounts receivables and prepaid expenses	6, 7, 9	21,771	33,244	11,473
Deferred revenue	16	(134,914)	(167,260)	(32,346)
Operational liabilities (excluding payables relating to capex)	14, 15	(24,706)	(20,654)	3,983
Change in working capital		**(137,849)**	**(154,739)**	**(16,891)**

Statement of changes in Shareholders' Equity
(In thousand euros)

	Number of shares	Share capital	Share premium	Retained earnings	Net loss	Tax regulated provisions	Total shareholders' equity
Balance as of December 31, 2016	**53,921**	**2,696**	**178,734**	**(111,018)**	**13,071**	**551**	**84,035**
Net loss appropriation 2016	–	–	–	13,071	(13,071)	–	**–**
Net loss 2017	–	–	–	–	(38,761)	–	**(38,761)**
Exercise and subscription of equity instruments	342	17	474	–	–	–	**491**
Acquisition of anti-C5aR	3,344	167	36,999	–	–	–	**37,167**
Excess of tax depreciation, net	–	–	–	–	–	298	**298**
Balance as of December 31, 2017	**57,607**	**2,880**	**216,207**	**(97,947)**	**(38,761)**	**850**	**83,230**
Net loss appropriation 2017	–	–	–	(38,761)	38,761	–	**–**
Net loss 2018	–	–	–	–	11,444	–	**11,444**
Exercise and subscription of equity	72	4	107	–	–	–	**111**
Increase in capital – AstraZeneca	6,261	313	62,244				**62,557**
Excess of tax depreciation, net	–	–	–	–	–	213	**213**
Balance as of December 31, 2018	**63,940**	**3,197**	**278,558**	**(136,707)**	**11,444**	**1,063**	**157,555**

Notes to the Financial Statements

1. Events with a financial impact in the year

- On January 30, 2018, Innate Phama announced that it has entered into a clinical trial collaboration with MedImmune, the global biologics research and development arm of AstraZeneca. The Phase I/II study (STELLAR-001) will evaluate the safety and efficacy of durvalumab, an anti-PD-L1 immune checkpoint inhibitor, in combination with Innate's investigational anti-C5aR monoclonal antibody, IPH5401, as a treatment for patients with selected solid tumors. Innate will sponsor the study with costs equally shared by both parties.
- On October 2018, the company signed a multi-term agreement with AstraZeneca, building on an existing collaboration, aimed at accelerating each company's oncology portfolio and bringing new medicines to patients more quickly. Under the terms of the agreement:
  - Innate Pharma licensed the US and EU commercial rights to AstraZeneca's recently FDA-approved Lumoxiti for hairy cell leukemia,
  - AstraZeneca obtained full rights to the first-in-class humanized anti-NKG2A antibody, monalizumab, in oncology broadening the initial announced partnership in 2015.
  - AstraZeneca gained option rights to IPH5201, an antibody targeting CD39,
  - As well as to four, non-disclosed pre-clinical molecules from Innate Pharma's pipeline;
  - AstraZeneca enters into Innate Pharma's capital holding 9.8% of shares.
- The accounting treatment of this multi-term agreement is presented in Notes 6 and 15 and 11.

2. Accounting policies

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in France following the principles of conservatism, cut-off and going concern.

The financial statements have been prepared under the historical cost convention.

The accounting principles comply with the rules of the French « Code of Commerce », and the ANC regulation n°2014-03 dated November 4, 2016 relating to the revised French accounting framework (Plan Comptable general – "PCG") abrogating the regulation CRC n°99-03 relating to the annual financial statements.

b) Changes in accounting principle and policies

Regulation 2018-01 of April 20, 2018 of the Accounting Standards Authority (ANC) approved on October 8, 2018 amends certain provisions relating to changes in accounting policies. It provides in particular:

- A simplification of the conditions allowing to note a change in accounting method
- Removing changes to tax options in the typology of accounting changes
- The notion of preferential method is replaced by the notion of reference method
- The list of reference methods is modified compared to that of the preferential methods

This settlement had no impact on the financial statements as at December 31, 2018.

c) Accounting for consumed materials

The Company has determined that the application of the new French accounting regulation on assets, which conformed the definition of inventory with that of IAS 2 whereby only the assets held for sale or in the process of production for such sale can be recorded as "Inventory", excludes products consumed in research and development activities from its scope. However the non-consumed part of these elements at the closing date is to be reported as prepaid expenses as prescribed by the PCG.

d) Property and equipment

Property and equipment are carried at cost. Major renewals and improvements are capitalized while repairs and maintenance are expensed as incurred.

3

d1) Depreciation

Depreciation is computed over the estimated useful lives of assets using the straight-line depreciation method. Improvements to assets under lease are depreciated over the shorter of the life of the improvement and the remaining lease term.

The depreciation periods are the following:

Installations	5 to 20 years
Laboratory equipment	8 years
Equipment and office furniture	5 years
Computer equipment	3 years

d2) Tax related depreciation

A tax depreciation is recorded for equipment used for research activities.

In accordance with French accounting principles, the tax benefit calculated as the excess of the tax depreciation over the economic depreciation, is recorded as excess tax depreciation over normal depreciation, which is presented in the balance sheet in shareholders' equity under the line item "tax regulated provisions".

e) Intangible assets

An intangible asset is recognized when and only when:

- It is likely that the future economic benefits that are attributable to the asset will flow to the Company; and
- The cost of the asset can be measured reliably.

The management of the Company uses judgment to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset based on the evidence available at the time of the initial recognition.

In accordance with this principle, intellectual property costs are recognized as expenses.

e1) Research and development expenses

In accordance with Article 2-6 of the regulation CRC n° 2004-06, the research works are accounted for as expenses when expensed as incurred. This method is identical to the accounting treatment adopted by the Company prior to the change in accounting policy.

The Company subcontracts a major part of its R&D activities to external partners. This expense is recorded based on the completion stage of each project. The degree of completion is determined based on the information provided by the external partners, and then corroborated

via internal analyses. The determination of this degree of completion is dependent on estimates.

e2) Other intangible assets

Patents, concessions and other intangible assets are valued at their acquisition cost, excluding acquisition expenses. These elements items are amortized over their estimated useful life, by applying the following annual coefficients as follows:

Patents	5 years
Software	2 years

f) Financial instruments

Financial assets are mainly composed of the shares in of the subsidiaries, the owned treasury shares, deposits and other financial instruments acquired in the context of the cash strategy.

g) Cash, cash equivalents

Cash includes petty cash and any assets that, which by nature can be immediately converted into cash at their nominal value.

Current financial assets held by the Company are those other than equity securities, acquired as a transitory temporary or permanent, and non-speculative, investments. The Company's objective is to obtain a minimum yield close to the EONIA as reference, in the form of revenue (dividends or interest) and/or gain on resale. At each closing date the Company compares the cost of these securities with their fair market value at the balance sheet date (for money market mutual funds: their settlement value), for each category of securities.

At each closing date, the Company compares the acquisition cost of the marketable securities to their fair value.

The net income for the period is affected only when the value of securities has decreased. A provision for impairment loss is then recorded. Any increase in value of these securities is not accounted for, but nevertheless liable to current income taxes.

h) Income tax and research tax credit

Only current income tax is accounted for. Under this principle, the tax expense for the fiscal year is the amount due to the government, the tax benefit for the fiscal year is the tax credit provided by the government, and deferred tax is not accounted for the future effect of temporary differences and tax losses carried forward.

In accordance with the legislation in force, the Company has tax losses that can be carried forward indefinitely for a cumulative total of €222.0 million as of December 31, 2018 (€220.0 million as of December 31, 2017).

The Company has benefited from a research tax credit since its first fiscal year. Since December 31, 2009, taking into consideration the ability given by the 2010 finance law (Loi de Finances) to ask for an anticipated reimbursement of the research tax credit, the debt related to this tax credit for the fiscal year 2017 is classified in current receivables.

Since the fiscal year 2011, only the companies considered as SME are eligible to this anticipated reimbursement of the debt related to the research tax credit. Management ensured that the Company meets the criteria to be considered as SME.

i) Conditional grants and other types of government assistance

The Company benefits from several government grants, in the form of either outright grants or conditional grants.

Government grants are recognized when there is a reasonable assurance that:

- The Company will comply with the conditions attached to the grants; and
- The grants will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support to the Company with no future related costs, is recognized as income for the period during which it becomes receivable.

Investment grants are accounted for in exceptional income for the period of the grant.

j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is acknowledged as a separate asset but only when the reimbursement is virtually certain.

k) Revenue recognition

To date, the Company's revenue results from payments generated by development and licensing agreements concluded with pharmaceutical companies (see Note 17). These contracts generally provide for components such as upfront payments, milestone payments upon reaching certain predetermined development objectives, certain lump-sum payments for the financing of R&D expenses, as well as the payment of royalties on future sales of products.

Milestone payments are recognized as revenue after final acceptance of the completion of the relevant development objectives by the other contracting party. Lump-sum payments for the financing of R&D are initially deferred under prepaid income and recognized in the income statement over the period of the Company's continuing involvement under the research arrangement, the estimate of which is revised periodically.

The amounts billable when certain predefined development objectives are exceeded are recognized as revenue when these objectives are actually achieved. Revenues related to the financing of R & D expenses are initially recognized as deferred income and spread over the estimated duration of the Company's involvement in future developments, which is subject to periodic review.

The Company records a provision for impairment in the case where the recoverability of the invoiced amounts appears uncertain.

l) Recognition of the provision for defined benefits

A provision for defined benefits (including seniority awards) is calculated at each closing date. The total amount of this provision is recognized in the balance sheet. The variance between two periods is recognized in the income statement (see Note 12).

m) Critical accounting estimates and assumptions

The preparation of the financial statements under French GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. The Company's actual results may differ from these estimates under different assumptions or conditions. The only significant change of estimates over the periods presented related to the amortization plan of the anti-NKG2A intangible asset, which varies according to the expected completion date of the Phase II trials.

These estimates and judgments involve mainly:

- the accounting for collaboration and licensing agreements: when the Company is committed to perform R&D after the signing

of an agreement, revenue is deferred prorate temporis on the basis of the estimated duration of its involvement or over the completion of the engaged costs. In the first situation, the recognition of revenue depends on the estimate of the duration of the works. The durations are updated when necessary to take into account the progress of developments and the remaining services to be rendered. In the second situation, the recognition of revenue depends on the recognition of the costs.

- the measurement of the subcontracting costs relating to the clinical trial costs: the completion of the subcontracting costs related to clinical trials is based on to allocation keys: time, for the services defined as fixed and linear and the number of visits for services resulting from the recruitment rate. If the Compay is not sponsor of the trial, the criteria "visits" is replaced by the criteria "patients". For each clinicial trial, these allocation keys are applied to the study's budget. This methodology involves two types of estimation: the budget, the timeline of the clinical trial (for the allocation key "time") and the total number of visits (or "patients") for the criteria "visit" or ("patient"). Both estimated datas are defined by the Clinical operations department and validated by the Management Team.
- the measurement of of AstraZeneca's invoices: in the context of the monalizumab and Lumoxiti agreements: the quarterly invoices submitted under these agreements are based on estimates made by AstraZeneca on the basis of its accounting work. These invoices have a significant impact on the Company's operating expenses and operating liabilities.
- the measurement of our employee benefits obligations: the Company has recognized a defined benefit obligation of €3,281 thousand and a seniority award accrual of €415 thousand as of December 31, 2018 which are measured according to actuarial valuations. Inherent in these valuations are key actuarial assumptions such as the discount rate, mortality tables and rates of turnover in employee personnel. These assumptions are provided in Note 12 and a change in these actuarial assumptions could have a material impact on the financial statements.
- The measurement of contingencies and loss provision: as part of its activities, the Company may be exposed to some risks, in particular those related to contractual commitments. It is required that the Management of the Company to exercise its judgment to estimate the probability of cash outflow and, if applicable, the amount of this cash outflow and the information to provide on the contingent liabilities.

3. Intangible assets

Intangible assets can be analyzed as follows (in thousand euros):

	Software	Patents	In course	Total
Year ended December 31, 2018				
Net opening balance	**180**	**46,012**	**-**	**46,192**
Acquisitions	405	56,852	-	57,257
Amortization and impairment	(240)	(5,630)	-	(5,870)
Net closing balance	**345**	**97,234**	**-**	**97,579**

Rights acquired from Novo Nordisk A/S

On February 5, 2014, the Company announced the acquisition of the full development and commercialization rights to monalizumab, the anti-NKG2A antibody, a first-in-class immune checkpoint inhibitor ready for Phase II development in oncology from Novo Nordisk A/S. The €7.0 million financial consideration (€2.0 million in cash and 600,000 shares issued at the unit price of €8.33) has been recognized as an intangible asset. This asset is amortized on a straight-line basis over the anticipated residual length of the Phase II trials planned by the Company. The agreement signed with AstraZeneca in

2015 led the Company to recognize the transfer of progressive control of a single performance obligation including a license to Monalizumab oncology indications as well as Phase I / II clinical studies. The amortization period of the intangible asset has been revised according to the duration of the studies to be performed by Innate Pharma to perform its performance obligation.

According to the agreement, Novo Nordisk A/S is entitled to an additional consideration in the condition that Innate Pharma signs a licensing agreement including an upfront payment. Consequently, following the agreement signed with AstraZeenca in April 2015, the Company paid to Novo Nordisk A/S an additional consideration amounting to €6.5 million.

Following the raise of the option by AstraZeneca on October 22, 2018, Novo Nordisk A/S is eligible to a last addition consideration for an amount of USD15 million (€13.1 million). This amount was added to the net book value on October 22, 2018 but will be paid in January 2019. As OF December 31, 2018, there is no additional consideration payable to Novo Nordisk A / S under the monalizumab license. At the time when they were recognized as debt, these additional considerations were added at the gross value of the intangible asset and are amortized according to the same amortization plan as the initial payment of 7.0 million euros made in 2014.

As of December 31, 2018, the net book value of the asset amounts to €12.7 million (€4.5 million as of December 31, 2017).

Anti-CD39 rights acquired from Orega Biotech

On January 10, 2016, Innate Pharma and Orega Biotech announced that they have entered into an exclusive licensing agreement by which Orega Biotech grants Innate Pharma full worldwide rights to its program of first-in-class anti-CD39 checkpoint inhibitors. The undisclosed upfront payment paid by the Company to Orega Biotech has been recognized as an intangible asset in the consolidated financial statements for the year ended December 31, 2016. Besides, criteria relating to the first development milestone were reached in January and December 2018. Consequently, the amount of these milestones was recognized as an intangible asset in addition to the initial payment.

This asset is amortized on a straight line basis since November 1, 2018 (corresponding to the effective beginning date of the collaboration) until the date Innate Pharma expects to fulfil its commitment (submission of an IND, last quarter of 2019).

The net book value of the asset as of December 31, 2018 amounts to €1.5 million.

Anti-C5aR rights acquired from Novo Nordisk A/S

On June 2, 2017, Innate Pharma announces that it enters into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401). The terms of the transaction provide for a total upfront payment of €40m, of which €37.2m will be paid in new Innate Pharma shares and €2.8m in cash. This amount was recognized as intangible asset. The anti-C5aR technology still being in progress of development, the acquired license is classified as in progress intangible asset. This asset is therefore not amortized and is part of an annual impairment test in order to compare its recoverable amount to its net book value. The amortization will begin when the Company obtains economic benefits.

According to the agreement, Innate Pharma will pay additional payments according to the reach of specific steps. As of December 31, 2018, according to the uncertainty of these potential payments, no liability was recognized.

Development costs incurred by Innate Pharma following the acquisition are recognized as operating expenses.

The main assumptions used for the impairment test are the following:

- Cash flows are set on the basis of the development and commercialization plans and budgets approved by Management;
- The achievement of the clinical trials and the launch of the commercialization in 2024;
- A discount rate amounting to 12%;
- A risk related to the development is taken into consideration through a success probability rate applied to the steps of the clinical development, based on an article published in Nature;
- For the commercialization, selling price and volume of sales are estimated on the basis of the potential market and the performances of comparable drugs currently on the market. A 50% decrease rate is applied to the level of sales from the terminate date of protection of the rights.

In case of failure of the clinical trials in progress, the Company may have to fully depreciate the intangible asset corresponding to the anti-C5aR right.

Innate Pharma did not identify any reasonable potential variance in the key assumptions that may generate a depreciation.

Sensitivity testing regarding the actuarial assumptions and other parameters like the discount rate (+/- 2 points), the decrease of the sales (+/- 2 points) and the price of the treatment (-50/+25 points) were performed.

Anti-C5aR is a drug candidate in progress of development which does not generate economic benefits yet for the Company. In accordance with IAS 38, it will be amortized when it generates economic benefits, which can result from:

- The commercialization of the drug if Innate Pharma carry out the development of the drug; or
- A collaboration agreement.

In the assumption of a commercialization, Innate Pharma would have to determine the useful life (considering the date of protection of the rights) and the amortization methodology. The amortization of a drug is generally recognized on a straight line basis during the expected commercialization period.

In the assumption of an agreement, this type of agreements being complex, an analysis will have to be performed in order to determine if the rights are transferred to the partner, and therefore a derecognition of the asset, or an amortization resulting from the economic benefits.

Lumoxiti rights acquired from AstraZeneca

On October 22, 2018, Innate Pharma acquired from AstraZeneca an exclusive license for the commercialization of Lumoxiti in the US and in Europe. Lumoxiti is a recently FDA-approved treatment for hairy cell leukemia. The acquisition price includes a $50 million initial payment (paid in January 2019) and conditional payments up to $25 million for future commercial and regulatory milestones. Innate Pharma will reimburse AstaZeneca for the development, production and commercialization costs incurred by AstraZeneca during the transition period, after deduction of a $15 million credit. This credit was recognized as a reduction of the acquisition costs of the license.

The license is amortized on a straight line basis until July 31, 2031, which corresponds to the end of the protection of the rights.

Development costs invoiced by AstraZeneca since the acquisition of the license mainly concern:

- Costs linked to the generation of additional data requested by regulatory authorities; and
- Costs resulting from additional exploratory researches initiated by the Company.

They are recognized as operating expenses (see Note 15).

Net sales for the period that are otherwise insignificant (see note 17) have been recognized under "Revenue from distribution agreement" and research and development, sales and management fees corresponding to the costs invoiced by AstraZeneca are recognized according to the nature of these expenses in "Cost of supplies and consumable materials" (these expenses are insignificant as of December 31, 2018) and in "Other purchases and external expenses" (see Note 18)

4. Tangible assets

Tangible assets can be broken down as follows (in thousand euros):

	Buildings[1]	Laboratory equipments	Other tangible assets	In progress	Total
Year ended December 31, 2018					
Net opening balance	**512**	**3,893**	**812**	**34**	**5,251**
Acquisitions	–	579	146	316	1,041
Disposals	–	(8)	(14)	–	(22)
Transfers	–	26	4	(30)	–
Depreciation	(7)	(710)	(260)	–	(977)
Net closing balance	**505**	**3,779**	**689**	**320**	**5,293**

The acquisitions of the year mainly relate to laboratory equipments and acquisition of a loan adjacent to the first one (€491 thousand).

5. Financial assets

	Capitalization contract	Deposits	Own shares	Other financial assets	Receivables / participations	Total
Year ended December 31, 2018						
Net opening balance	**2,047**	**103**	**88**	**58,083**	**8**	**60,329**
Acquisitions	–	1	–	–	–	**1**
Disposals	–	(17)	–	(21,511)	(8)	**(21,536)**
Variance in depreciations	–	–	50	(3,833)	–	**(3,783)**
Variance in change	–	–	–	547	–	**547**
Variance in accrued interests	(5)	–	–	(149)	–	**(154)**
Net closing balance	**2,042**	**87**	**138**	**33,139**	**–**	**35,406**

As of December 31, 2018, financial assets are mainly composed of other financial assets acquired in the context of our cash strategy (€33,139 thousand) and a capitalization contract in the context of management of retirement benefits (€2,042 thousand).

6. Trade accounts receivables

As of 31 December 2018, the item consists solely of claims against AstraZeneca. These receivables break down as follows:

December 31, 2018 (in thousand of euros)	2018	2017
Re-invoicing costs	2,931	
Others	4	-
Total Trade accounts receivables	**2,935**	**-**

7. Other receivables

Other receivables are analyzed as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
Other receivables – short term	132,074	15,639
Other receivables – long term	74	234
Total	**132,148**	**15,873**

The components of the short-term receivables are analyzed as follows

	As of December 31,	
In thousand euros	**2018**	**2017**
Receivables towards AstraZeneca(1)	113,240	–
Research tax credit & CICE(2)	13,708	11,273
VAT refund	1,544	1,536
Deductible VAT	1,263	1,124
Advances and down-payments to suppliers	1,096	430
Carry back	333	–
Grants	246	100
Down-payment to Sogébail	160	152
Credit notes to be received	399	730
Other receivables	85	294
Other receivables – short term	**132,074**	**15,639**

(1) This amount includes:

- the upfront related to the IPH22 option exercise by AstraZeneca amounting to 87.0 million euros

- the upfront related to the license option agreement for anti-CD39 amounting to 20.9 million euros

- the invoice for the monalizumab agreement for the fourth quarter of 2018, which shows a credit balance (€ 5.3 million).

(2) It has requested the reimbursement of the 2018 Research Tax Credit in 2019 under the European Community tax rules for small and medium firms in compliance with the applicable regulation.

As of December 31, 2018, this receivable has been reclassified in other non-current assets.

The components of the other long-term receivables are analyzed as follows

	As of December 31,	
In thousand euros	**2018**	**2017**
Down-payment to Sogébail	74	234
Other receivables – long terms	**74**	**234**

The down-payment is a guarantee relating to the finance lease of the headquarters of the Company.

8. Cash, cash equivalents and short term investments

As of December 31, 2018, the item line is composed of current accounts, remunerated interest-bearing accounts, fixed-term accounts, commercial papers, money market funds ("SICAV") and bonds subscribed towards with several banks.

	As of December 31,	
In thousand euros	**2018**	**2017**
Current bank accounts	130,680	35,806
Fixed term accounts	17,220	63,556
SICAV	4,367	–
Cash and cash equivalents	*152,667*	*99,362*
Money market funds	14,585	16,426
Short term investments	*14,585*	*16,426*
Total cash, cash equivalents and marketable securities	**166,852**	**115,788**

As of December 31, 2018 the portion of cash and cash equivalents held in USD amounted to €73.7 million (or $52.7 million as of December 31, 2017).

9. Prepaid expenses

Prepaid expenses can be analyzed as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
Prepaid research materials and consumables not yet used in research	3,800	5,377
Other prepaid expenses	411	521
Total prepaid expenses	**4,211**	**5,898**

10. Share capital

As of December 31, 2018 and 2017 the breakdown of share capital can be analyzed as follows (number of shares with a par value of €0.05, in thousands of shares).

	As of December 31,	
	2018	2017
Common shares, opening	57,600	53,921
Share capital increase resulting from the exercise of securities giving access to the share capital	50	91
Share capital increase resulting from the definitive acquisition of free shares	22	244
Share capital increase resulting from the share capital increase reserved to MedImmune	6,260	–
Share capital increase resulting from the share capital increase following the acquisition of C5aR	–	3,344
Share capital increase resulting from the definitive acquisition of preferred shares (B Shares)	7	7
Common shares (A Shares), closing	**63,932**	**57,600**
Preferred shares (B Shares), closing	**7**	**7**

Details of changes in share capital over the two last fiscal years:

On January 24, 2017, subsequent to the exercise of BSAAR 2012, BSA 2011-2 and BSA 2014, the Executive board recorded a share capital increase for a nominal amount of €1,947.50 (38.950 shares), bringing the capital to €2,698,012.70.

On February 10, 2017, subsequent to the exercise of BSAAR 2012 and BSA 2013, the Executive board recorded a share capital increase for a nominal amount of €2,525 (50,500 shares), bringing the capital to €2,700,537.70.

On June 14, 2017, subsequent to the exercise of BSAAR 2012, the Executive board recorded a share capital increase for a nominal amount of €92.50 (1,850 shares), bringing the capital to €2,700,630.20.

On July 13, 2017, subsequent to a capital increase remunerating a contribution in kind, the Executive board recorded a share capital increase for a nominal amount of €167,187.40 (3,343,748 shares), bringing the capital to €2,867,817.60.

On October 23, 2017, subsequent to the definitive acquisition of AGA and AGAP, the Executive board recorded a share capital increase for a nominal amount of €5,135.05 (98,770 ordinary shares (A Shares) and 3,931 preferred shares (B Shares)), bringing the capital to €2,872,952.65.

On March 6, 2018, subsequent to the definitive acquisition of AGA and AGAP, the Executive Board recorded a share capital increase, with effect on December 30, 2018, for a nominal amount of €7,398.90 (144,978 new ordinary shares (A Shares) and 3,000 new preferred shares (B Shares), bringing the capital to €2,880,351.55.

On October 5, 2018, subsequent to the definitive acquisition of AGA (AGA Bonus 2017-1), the Executive Board recorded a share capital increase, with effect on September 20, 2018, for a nominal amount of €1,102.75 (22,055 new ordinary shares (A Shares)), bringing the capital to €2,881,454,30.

On October 25, 2018, subsequent to a capital increase reserved to MedImmune, the Executive Board recorded a share capital increase for a nominal amount of €313,025(6,260,500 new shares), bringing the capital to €3,194,479.30.

On November 29, 2018, subsequent to the exercise of BSA 2011-2 and BSA 2013, the Executive Board recorded a share capital increase for a nominal amount of €2,500 (50,000 new shares), bringing the capital to €3,196,979.30.

Securities giving access to the capital

Operations securities giving access to the capital during the last three fiscal years were as follows:

	BSA	Options	BSAAR	AGAP Management	AGAP Employees	AGA Management	AGA Employees	AGA Bonus	AGA Performance Management	AGA Performance Employees
Balance as of December 31, 2015	**460,700**		**1,431,832**							
Cancelled warrants and options in 2016			(2,720)							
Exercised warrants and options in 2016	(25,000)		(62,290)							
AGAP Management attributed on 10/21/16				2,000 (3)						
AGAP Employees attributed on 10/21/16					2,486 (4)					
AGA Management attributed on 10/21/16						50,000 (1)				
AGA Employees attributed on 10/21/16							99,932 (2)			
AGAP Management attributed on 12/30/16				3,000 (6)						
AGA Management attributed on 12/30/16						250,000 (5)				
AGA Employees attributed on 12/30/16							149,943 (7)			
Balance as of December 31, 2016	**435,700**		**1,366,172**	**5,000**	**2,486**	**300,000**	**249,875**			
AGA and AGAP not definitely acquired in 2017				(450) (8)	(105) (8)		(6,127) (8)			
Exercised warrants and options in 2017	(88,200)		(3,100)							
AGA definitely acquired in 2017							(243,748)(9)			
BSA attributed on 09/20/17	37,000 (10)									
AGA Bonus attributed on 09/20/17								28,556		
AGA Bonus cancelled								(3,577)		

following their attribution										
Balance as of December 31 2017	**384,500**	**0**	**1,363,072**	**4,550**(11)	**2,381** (11)	**300,000**	**0**	**24,979**(12)		
AGAP 2017-1 attributed on 04/03/18				2 400 (13)	5 725 (13)					
AGA Employees attributed on 04/03/18							114 500(14)			
AGA Bonus Management attributed on 07/03/18								67 028 (15)		
AGA Bonus not acquired in 2018								(2 924) (16)		
AGA bonus definitely acquired in 2018								(22 055) (16)		
AGA Performance attributed on 11/20/2018									260 000 (17)	327 500 (17)
Warrants exercised in 2018	(50 000) (18)									
Balance as of December 31 2018	**334 500**		**1 363 072**	**6 950**	**8 106**	**300 000**	**114 500**	**67 028**	**260 000**	**327 500**

(1) Distribution of 50,000 AGA Management 2016-1, definitely attributed at the end of a three-year acquisition period, starting on October 21, 2016;

(2) Distribution of 99,932 AGA Employees 2016-1, definitely attributed at the end of a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017;

(3) Distribution of 2,000 AGAP Management 2016-1, definitely attributed at the end of a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017, giving right, in case of conversion, to a maximum of 400,000 ordinary shares;

(4) Distribution of 2,486 AGAP Employees 2016-1, definitely attributed at the end of a one-year a one-year acquisition period, starting on October 21, 2016, followed by a two-year retention period, starting on October 21, 2017, giving right, in case of conversion, to a maximum of 497,200 ordinary shares;

(5) Distribution of 250,000 AGA Management 2016-2, definitely attributed at the end of a three-year acquisition period, starting on December 30, 2016;

(6) Distribution of 3,000 AGAP Management 2016-2, definitely attributed at the end of a one-year acquisition period, starting on December 30, 2016, followed by a two-year retention period, starting on December 30, 2017, giving right, in case of conversion, to a maximum of 600,000 ordinary shares;

(7) Distribution of 149,943 AGA Employees 2016-1, definitely attributed at the end of a one-year acquisition period, starting on December 30, 2016, followed by a two-year retention period, starting on December, 2017.

(8) At the time of definitive acquisition of (a) AGA Employees 2016-1, AGAP Employees 2016-1 and AGAP Management 2016-1, the Executive board of October 23, 2017 recorded that (i) 450 AGAP Management 2016-1 (giving right, in case of conversion, to a maximum of 90,000 ordinary shares) (ii) 105 AGAP Employees 2016-1 (giving right, in case of conversion, to a maximum of 21,000 ordinary shares) and (iii) 1,162 AGA Employees 2016-1, could not be definitely acquired because the presence condition was not met at the definitive acquisition date and (b) AGA Employees 2016-2, the Executive Board of March 6, 2018, with effect on December 30, 2017, recorded that 4,965 AGA Employees 2016-2 could not be definitely acquired because the presence condition was not met at the definitive acquisition date.

(9) The Executive Board of October 23, 2017 recorded the definitive acquisition of 98,779 AGA Employees 2016-1 and the Executive Board of March 6, 2018, recorded, with effect on December 30, 2017, the definitive acquisition of 144,978 AGA Employees 2016-2

(10) Distribution of 40,000 BSA 2017-1 to the independent members newly appointed or renewed by the Annual General Meeting of June 23, 2017 and subscription of 37,000 BSA 2017-1 at the end of the subscription period.

(11) The Executive Board of October 23, 2017 recorded the definitive acquisition of 1,550 AGAP Management 2016-1 and 2,381 AGAP Employees 2016-1 and the Executive Board of March 6, 2018 recorded, with effect on December 30, 2018, the definitive acquisition of 3,000 AGAP Management 2016-2. The AGAP Management 2016-1 and 2016-2, together, give right, in case of maximum conversion to 910,000 ordinary shares and the AGAP Employees 2016-1 give right, in case of maximum conversion, to a maximum of 476,200 ordinary shares.

(12) Distribution of 28,556 AGA Bonus 2017-1 definitely attributed at the end of a one-year acquisition period as from September 20, 2017 followed by a one-year retention period starting on September 20, 2018 (number of AGA Bonus 2017-1 definitely attributed to each beneficiary depending on the achievement of their annual individual objectives). Following the waiver of such method of payment by a beneficiary, 3,577 AGA Bonus Management 2017-1 were not attributed. In accordance with the recommendations of the Compensation and nomination committees held on December 8, 2017 and January 30, 2018, adopted on the basis of the 2017 objectives achievement assessment of the Executive Board and Committee members, an Executive Board will record, as soon as possible as from September 20, 2018, the definitive acquisition of 22,055 AGA Bonus Management 2017-1 (see 2.3.2.1.2).

(13) Distribution of 2,400 AGAP Management 2017-1 and 5,725 AGAP Employees 2017-1, definitely attributed definitely attributed at the end of a one-year acquisition period, starting on April 3, 2018, followed by a two-year retention period, starting on April 3, 2019, giving the right, in case of conversion, to a maximum of 812,500 ordinary shares.

(14) Distribution of 114,500 AGA Employees 2017-1, definitely attributed at the end of a one-year acquisition period, starting on December April 3, 2018, followed by a two-year retention period, starting on April 3, 2019.

(15) Distribution of 67,028 AGA Bonus Management 2018-1, definitely attributed at the end of a one-year acquisition period, starting on July 3, 2018, followed by a two-year retention period, starting on July 3, 2019.

(16) The Executive Board of October 5, 2018 recorded, with effect on September 20, 2018, the definitive acquisition of 22,055 AGA Bonus 2017-1 on the 28,556 attributed;

(17) Distribution of 260,000 AGA Performance Management 2018 and of 327,500 AGA Performance Employees 2018-1, definitely attributed at the end of a three-year acquisition period as from November 20, 2018, proportionally to the achievement of performance criteria

(18) The Executive Board of November 29, 2018, recorded the exercise of 12,500 BSA 2011-2 and 37,500 BSA 2013.

- Circulating securities as of December 31, 2017

The circulating BSA as of December 31, 2018, give right to subscribe 334,500 new ordinary shares with a nominal value of €0.05 per share.

The circulating BSAAR as of December 31, 2018, give right to subscribe 1,363,072 new ordinary shares with a nominal value of €0.05 per share.

The circulating AGA as of December 31, 2018, will give right to the attribution, at the end of the attribution period, to 481,528 new ordinary shares with a nominal value of €0.05 per share.

The 6,931 circulating AGAP 2016 as of December 31, 2018, will give right to the subscription, in case of achievement of the performance criteria, to the conversion into a maximum of 1,386,200 new ordinary shares with a nominal value of €0.05 per share.

The 8,125 circulating AGAP 2017 as of December 31, 2018, will give right to the subscription, in case of achievement of the performance criteria, to the conversion into a maximum of 812,500 new ordinary shares with a nominal value of €0.05 per share.

The 587,500 circulating AGA Performance 2018 as of December 31, 2018, will give right to the subscription, at the end of the above mentioned attribution period and in case of achievement of the performance criteria, to the conversion into a maximum of 587,500 new ordinary shares with a nominal value of €0.05 per share.

As of December 31, 2017, the BSA, BSAAR, AGA AGAP and AGA Performance, gave right, in case of maximum conversion of the AGAP, to the subscription of a maximum of 4,965,300 new ordinary shares, with a nominal value of €0.05 per share, representing 7.78% of the share capital.

- History of distributions

On March 27, 2014, the General Meeting of shareholders authorized the creation of 150,000 BSA ("BSA 2014") giving right to subscribe to 150,000 new shares. The Executive board, meeting on July 16, 2014, upon authorization of the Supervisory board, attributed 150,000 BSA ("BSA 2014") to consultants.

On April 27, 2015, the General Meeting of shareholders authorized the creation of 150,000 BSA ("BSA 2015") giving right to subscribe to 150,000 new shares. The Executive board, meeting on April 27, 2015, upon authorization of the Supervisory board, attributed 80,000 BSA ("BSA 2015-1") to independent Supervisory board members and to members of Scientific Advisory Board and 70,000 of which have been subscribed by the beneficiaries, as recorded by the Executive board of September 25, 2015

The Executive board, using the same General Meeting's authorization than above, meeting on July 1st, 2015, upon authorization of the Supervisory board, attributed 25,000 BSA ("BSA 2015-2") to a new independent Supervisory board member and 14,200 of which have been subscribed by the beneficiary, as recorded by the Executive board of December 7th, 2015.

On April 27, 2015, the General Meeting of shareholders authorized the creation of 1,500,000 BSAAR ("BSAAR 2015") giving right to subscribe to 1,500,000 new shares. The Executive board, meeting on July 1st, 2015, upon authorization of the Supervisory board, attributed 1,499,207 BSAAR ("BSAAR 2015") to employees and members of Executive board and 1,050,382 of which have been subscribed by the beneficiary, as recorded by the Executive board of December 7, 2015.

On June 2, 2016, the General Meeting of shareholders authorized the free attribution of 7,500 preferred shares (AGAP) each convertible into a maximum of 200 ordinary shares, subject to the achievement of performance criteria.

On June 2, 2016, the General Meeting of shareholders authorized the free attribution of 600,000 free shares (AGA).

The Executive board, meeting on October 21, 2016, upon authorization of the Supervisory board, attributed 2,000 AGAP Management and 50,000 AGA Management to corporate officers and 2,486 AGAP Employees and 99,932 AGA Employees to employees.

The Executive board, meeting on December 30, 2016, upon authorization of the Supervisory board, attributed 3,000 AGAP Management and 250,000 AGA Management to a corporate officer and 149,943 AGA Employees to employees.

The General Meeting of June 2, 2016 authorized the creation of 150,000 BSA giving right to the subscription of 150,000 new shares. The Executive board, meeting on 19 September 2017, upon authorization of the Supervisory Board, attributed 40,000 BSA 2017-1 to newly appointed or renewed members of the Supervisory Board, 37,000 of which were subscribed at the end of the subscription period on November 30, 2017.

The General Meeting of June 23, 2017 authorized the creation of 50,000 free shares to be issued to the benefit of Executive Committee members employed and/or corporate officers of the Company and its consolidated subsidiaries (eligible under articles L. 225-197-1 et. Seq. of the Code of commerce) under their annual variable compensation (the "AGA Bonus"). The Executive board, meeting on September 19, 2017, attributed 28,556 AGA Bonus 2017-1 to the Executive Committee and Executive board members. One Executive committee member has waived the possibility to receive a part of his annual variable compensation in free shares. Thus, the number of AGA Bonus 2017-1 attributed is 24,979.

The General Meeting of June 23, 2017 authorized the attribution of 12,500 AGAP 2017 to the benefit of Executive Committee members employed and/or corporate officers of the Company, each AGAP 2017 being convertible into 100 ordinary shares, subject to the achievement of certain performance criteria.

On June 23, 2017, the General Meeting of shareholders authorized the attribution of 200,000 free shares (AGA 2017-1) to employees.

The Executive board meeting of April 2, 2018 attributed (i) 2,400 AGAP 2017-1 to the benefit of Executive Committee members employed and/or corporate officers of the Company, (ii) 5,725 AGAP 2017-1 and 114,500 AGA 2017-1 to employees of the Company.

On May 29, 2018, the General Meeting of shareholders authorized the attribution of 750,000 AGA Performance 2018-1 to employees and Executive Committee members employed and/or corporate officers of the Company, which will be definitely acquired subject to the achievement of certain performance criteria.

The General Meeting of May 29, 2018 authorized the creation of 90,000 free shares to be issued to the benefit of Executive Committee members employed and/or corporate officers of the Company, as part of their annual variable remuneration (AGA Bonus 2018-1).

The General Meeting of May 29, 2018 authorized the attribution of 110,000 free shares (AGA 2018-1) to employees.

The Executive board meeting of July 3, 2018 attributed 67,028 AGA Bonus 2017-1 to the members of the Executive committee and the Executive Board.

The Executive board meeting of November 20, 2018 attributed (i) 260,000 AGA Performance 2018-1 to the Executive Committee members employed and/or corporate officers of the Company and (ii) 327,500 AGA Performance 2018-1 to employees of the Company.

Holding by the Company of its own shares

The Company held 18,575 own shares as of December 31, 2018.

11. Grants and government financing

The Company receives grants from the French Government, the European Union and French local public authorities under different forms:

- Operational grants and,
- Research tax credits.

Since its inception, due to its innovative nature, the Company receives a number of aid or grants from the Government or public authorities to finance its operations or specific recruitments.

In contrast to repayable down-payment:

Research tax credit

- The research tax credits are detailed in Note 24.

Grants received from local public authorities

The company has insurance to comply with conditions attached to these grants and these grants are non-refundable. These grants are booked in the income statement at the related expenses period.

12. Provisions

Provisions and the variation in provisions can be analyzed as follows (in thousand euros):

Tax regulated provisions	Balance as of January 1, 2018	Increase	Reversal used	Reversal unused	Balance as of December 31, 2018
Excess of tax depreciation	850	283	(70)	–	1,063
Total	**850**	**283**	**(70)**	–	**1,063**

Provisions for contingencies and losses	Balance as of January 1, 2018	Increase	Reversal used	Reversal unused	Balance as of December 31, 2018
Pensions and similar obligations	2,621	1,076	–	–	3,697
Penalties of late-payment withoholding tax anti-NKG2A	504	–	(504)	–	–
Employer contribution (instrument of participation)	495	535	(340)	–	690
Other provisions	13	269	(13)	–	269
Total	**3,633**	**1,880**	**(857)**[1]	–	**4,656**

Provisions for contingencies and losses	Balance as of January 1, 2018	Increase	Reversal used	Reversal unused	Balance as of December 31, 2018
Depreciation of financial assets	1,202	4,108	(307)	–	5,003
Total	**1,202**	**4,108**	**(307)**	–	**5,003**
Grand total	**5,685**	**6,271**	**(1,234)**	–	**10,772**

Presented within:		
Operating result	1,880	(857)
Financial result	4,108	(307)
Exceptional result	283	(70)

(1) The amount of reversals used as of31 December 2018 amounted to €857 thousand, however €102 thousand relating to the Platinum dispute was reclassified as "Other receivables" and does not appear in this table. The litigation ended the year and the Company recorded the reversal of €102 thousand euros in an operating reversals account. Total recoveries amounted to €957 thousand.

Excess tax depreciation over normal depreciation

Excess of tax depreciation over normal depreciation is accounted for in accordance with the principles described in Note 2 d) 2.

Provision for other liabilities and charges

Provisions for other liabilities and charges amounts to €959 thousand as of December 31, 2018 (€1,012 thousand as of December 31, 2017). They consist essentially of a provision relating to the employer contribution which will be due at the end of periods of acquisition of the free shares and free preferred shares (€690 thousand) and a provision relating to foreign exchange differences on liabilities (€269 thousands).

Pensions and similar obligations

The lump sum indemnities paid to employees upon retirement are the only defined benefit obligation of the Company. The corresponding obligations are recorded as provisions.

According to an agreement with the representatives of the staff as of March 24, 2016, the Company is committed to pay a bonus to personnel justifying a seniority of 15 years and 20 years. This bonus is paid on the anniversary date. A similar bonus already existed for justifying staff of a seniority of 10 years but it was not the subject of accounting expenses because of the insignificant amount that commitment represented. According to this new agreement signed on the first semester 2016, the Company recorded, for the first time on 2016, a provision for seniority awards in counterpart of a charge included in "Staff costs" other than payments in action to which are eligible employees with 10, 15, 20 years of seniority. These bonuses can be indeed, included as "other long term benefits" according to IAS 19. The amount of this provision, also calculated by an external actuary firm, rises to €415 thousand as of December 31, 2018 (€366 thousand as of December 31, 2017).

The main actuarial assumptions used to evaluate seniority awards are the following:

- Discount rate: 1.14%
- Rate of annual increase in wages: 4.5%
- Rate of contributions: 45.2%
- Rate of wage costs: 23.29%
- Age of retirement: 64 years for executives, 62 for non-executives
- Mortality Table: TH - TF 00-02
- Annual mobility rate: 2.1% on average

The main actuarial assumptions used to evaluate retirement obligations are the following:

	As of December 31,	
	2018	2017
Economic assumptions		
Discount rate (iBoxx Corporate AA)	1.80%	1.70%
Annual rate of increase in wages	4.50%	3.00%
Demographical assumptions		
Type of retirement	At the initiative of the employee	At the initiative of the employee
Rate of tax and social charges	45.20%	45.20%
Age at retirement		
- Executives	64 years	64 years
- Non-executives	62 years	62 years
Mortality table	TH-TF 00-02	TH-TF 00-02
Annual mobility	All personnel	All personnel
16-24 years	5.0%	4%
25-29 years	3.0%	2.5%
30-34 years	2.5%	2%
34-39 years	2.0%	1.5%
40-44 years	1.5%	1%
45-49 years	1.0%	0.5%
+50 years	0%	0%

Amounts recognized in the balance sheet are determined in the following manner:

	As of December 31,	
In thousand euros	2018	2017
Discounted value of the funded obligation	-	-
Fair value of assets in the plan	-	-
Discounted value of the unfunded obligations	3,697	2,621
Unrecognized actuarial losses	-	-
Cost of unrecognized past services	-	-
Provision in the balance sheet	**3,697**	**2,621**

The table below shows the amounts recognized in the income statement:

	As of December 31,	
In thousand euros	2018	2017
Cost of services rendered	448	390
Net actuarial loss recognized during the period	514	(214)
Finance cost	114	27
Total	**1,076**	**203**

13. Borrowings

This line item was broken down per maturity and is analyzed as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
BPI PTZI IPH41 (1)	300	375
Loan R&D equipment	54	54
Other loan	40	–
Total – current	**394**	**429**
BPI PTZI IPH41 (1)	450	750
Loan R&D equipment	318	372
Other loan	1,260	1,300
Total – non current	**2,028**	**2,422**
Total borrowings	**2,422**	**2,851**

(1) Interest-free loan

14. Trade notes payable

This line item was broken down as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
Trade payables	50,063	8,610
Accruals	38,540	11,513
Trade notes payable	**88,603**	**20,123**

(1) This amount includes €43.9 million of trade payables on intangible/tangible assets

15. Tax and social liabilities

Tax and social liabilities were broken down as follows:

	As of December 31,	
In thousand euros	**2018**	**2017**
Social liabilities	4,614	3,633
Tax liabilities	1,288	745
Tax and social liabilities	**5,902**	**4,378**

The accrued social and tax expenses as of December 31, 2018 amounts to €3,687 thousand (€3,265 thousand as of December 31, 2017).

Other liabilities amounted to €681 thousand as of December 31, 2018 (€205 thousand as of December 31, 2017). This item consists of €465 thousand of F/X gains (losses) and €216 thousand accruals for attendance fees.

16. Deferred income

As of December 31 (in thousand euros)	2018	2017
Monalizumab agreement	68,732	47,909
Anti-CD39 agreement	27,689	-
Deferred revenue under one year	*96,601*	*47,909*
Monalizumab agreement	70,606	87,005
Preclinical molecules agreement	17,400	-
Deferred revenue over one year	*88,006*	*87,005*
Deferred revenue	**184,607**	**134,914**

17. Revenue from collaboration agreements

As of December 31 (in thousand euros)	2018	2017
Monalizumab agreement - Recognition of the proceeds	82,578	32,346
IPH5201 agreement - Recognition of the proceeds	15,632	-
IPH5201 and IPH5401 agreements - Invoicing of R&D costs	2,242	-
Other	322	13
Revenue	**100,774**	**32,359**

Revenue mainly results from:

- revenue related to the agreement signed with AstraZeneca in 2015 relating to monalizumab (IPH22). This concerns the staggering of the initial payment received in June 2015 and the payment of the $ 100 million option following the signing in October 2018 of five transactions with AstraZeneca: € 82.6 million for the 2018 compared to 32.3 million in 2017. The Company received a lump sum payment upon signature of the agreement for a non-refundable amount of US $ 250 million (€ 223.5 million) received in full in June 2015, but whose accounting is spread over the basis of the costs that Innate Pharma has committed to bear in the context of the agreement at the pace of expenses incurred. In October 2018, the Company recognized a receivable of $ 100 million following the signing of this agreement, this amount was collected in January 2019 but the accounting is spread on the basis of the costs that Inn Pharma committed to support in the context of the agreement to the rhythm of the expenses incurred.
- Income related to the agreement signed with AstraZeneca in October 2018 relating to anti-CD39. This is the staggering of the initial payment of $ 50 million of which $ 24 million was received in October 2018 and the remaining $ 26 million was cashed in January 2019, which is cost-spreaded. Innate Pharma has committed to support in the context of the agreement to the rhythm of expenses incurred, or €15.6 million for the year 2018. These expenses incurred by Innate Pharma, from the effective date of the collaboration, are invoiced quarterly to AstraZeneca, ie €1.7 million.

18. Purchases of raw materials and other supplies

Since the Company has no manufacturing capacity, the purchase of raw materials and other supplies include the costs of purchasing the Company's products manufactured by third parties. These costs also include the cost of materials bought from third parties and used in the Company's R&D activities.

These costs amounted to € 3.9 million for the 2018 financial year, compared to € 4.3 million for the 2017 financial year.

19. Other purchases and external expenses

Other purchases and external expenses are analyzed as follows:

	Year ended December 31,	
In thousand euros	**2018**	**2017**
Subcontracting (1)	(57,958)	(37,996)
Leasing, maintenance and utility (2)	(3,104)	(2,924)
Commercialization costs(8)	(1,282)	–
Non-scientific advisory and consulting (3)	(5,353)	(4,220)
Travel expenses and congress attendance	(992)	(1,294)
Intellectual property expenses (4)	(1,380)	(1,392)
Scientific advisory and consulting (5)	(368)	(975)
Marketing, communication and public relations (6)	(581)	(702)
Insurance	(173)	(169)
Others(7)	(473)	(271)
Other purchases and external expenses	**(71,664)**	**(49,943)**

(1) Sub-contracting expenses include discovery research costs (financing research conducted externally, particularly academic research, antibody humanization technologies, manufacturing process development, etc.), preclinical development (pilot manufacturing, tolerance and pharmacology studies, etc.) and clinical costs (clinical trial management, etc.) outsourced to third parties. The increase in 2018 compared to 2017 is mainly explained by the rise in sub-contracting costs relating to the preclinical and clinical programs and the recognition of €1.1 million of R&D costs related to Lumoxiti.

(2) The Company rents its premises (through lease-financing agreements – see Note 25) and uses third parties for procurement of utilities as well as for maintenance of its laboratory and office premises. Since July 2017, the Company rents its administrative premises. Furthermore, the Company also rents some of its computer equipments.

(3) 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. The increase in these expenses mainly results from consulting fees due to the Company's structuring in a context of strong expansion.

(4) Intellectual property expenses include, on the one hand, the expenses related to patents and patent applications relating to the Company's inventions and also for third party inventions and on the other hand, the costs related to licenses and options for licenses for third parties inventions.

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

(6) Marketing, communication and public relations services are mainly outsourced.

(7) As of December 31, 2018 and 2017 under the line item "Others, net" were mostly mainly consisted of expenses relating to telecommunication costs, bank fees and staff training and temporary staff.

(8) The commercialization costs are the costs invoiced by AstraZeneca as part of the commercialization of Lumoxiti

20. Income tax expense

The item amounts respectively to €338 thousand and €950 thousand for the years ended December 31, 2017 and 2018. This variation is mainly explained by the recognition of €428 thousand related to the value-added contributions (CVAE).

21. Personnel costs

The item line respectively amounts to €18,556 and €14,556 thousand for the fiscal years ended December 31, 2018 and 2017, respectively. The Company had 195 employees as of December 31, 2018 versus 188 as of December, 31, 2017.

The Company benefited from the "competitiveness and employment tax credit" (CICE) for an amount of €180 thousand for the year 2018 (€233 thousand for 2017). This tax credit will be mainly used to reinforce the research teams.

22. Depreciation expense and impairment of fixed assets

The depreciation expense and impairment loss on fixed assets can be analyzed as follows:

	Year ended December 31,	
In thousand euros	**2018**	**2017**
Amortization of intangible assets[1]	(5,870)	(3,110)
Amortization of tangible assets[2]	(977)	(731)
Depreciation expense and impairment of fixed assets	**(6,847)**	**(3,841)**

[1] Of which €5,630 thousand of amortization of acquired licenses (monalizumab, anti-CD39 and Lumoxiti).

(2) Of which €710 thousand of amortization of laboratory equipments.

23. Financial incomes / (expense)

The financial income and expense can be analyzed as follows:

	Year ended December 31,	
In thousand euros	**2018**	**2017**
Gain on financial assets	1,270	1,277
Foreign exchange gains / (losses)	2,151	(8,713)
Depreciation of financial assets	(3,801)	(99)
Financial expense on brokering/liquidity contract	–	–
Other financial income / (expenses)	(18)	(3)
Financial income / (expense), net	**(399)**	**(7,539)**

The foreign exchange (loss) / gain represent the exchange difference on the US dollar bank account (See Note 8). The Company uses this bank account to pay its US dollar denominated invoices. Foreign exchange loss and gain are also observed on dollar financial instruments hold by the Company.

24. Exceptional income and expense, net

The exceptional income and expense are analyzed as follows:

	Year ended December 31,	
In thousand euros	**2018**	**2017**
Exceptional income		
Selling price of assets sold	10	1
Reversal of excess of tax depreciation	70	55
Exceptional expenses		
Net book value of fixed assets disposed of	(10)	(50)
Excess of tax depreciation	(283)	(354)
Interest for late payment relating to withholding tax	(504)	–
Other exceptional expenses	(2)	(45)
Exceptional income / (expense), net	**(719)**	**(393)**

25. Income tax

The Company has not recorded any tax expense in the year.

During fiscal year 2018, the Company opted for the carry back mechanism (also known as carry-back of deficits). This accounting and tax mechanism, which consists of postponing the deficit of a company on the profits of its previous three (maximum) years, gives rise to a claim on the State (0.3 million euros), that is to say say a tax credit. Expenses considered in 2017 as extravagant spendings (article 39.4 of the General Tax Code) and non-deductible for corporate tax base amounted to €0.1 million and essentially corresponds to the deductible part of the attendance fees.

Breakdown of the income tax for the year ended December 31, 2018:

Year ended December 31,2018 (in thousand euros)	**Prior income tax**	**Income tax (33,33%)**	**After income tax**
Operating income/(loss)	11,830	–	11,830
Exceptional income/(loss)	(719)	–	(719)
Net income/(loss)	**11,111**	**333[1]**	**11,444**

*The "competitiveness and employment tax credit" (CICE) amounting to €0.2 million is deducted from staff costs and not booked as tax. For the 2017 financial year, this is a rate of 18.33% applied to the fiscal result for the 2016 financial year (difference between 33.33% and the 15% rate applied in 2016). For fiscal year 2018, this is the 33.33% rate that should be applied.

[1]During fiscal year 2018, the Company opted for the carry back mechanism (also known as carry-back of deficits). This accounting and tax mechanism, which consists of postponing the deficit of a company on the profits of its previous three (maximum) years, gives rise to a claim on the State (0.3 million euros), that is to say say a tax credit.

Breakdown of the income tax for the year ended December 31, 2017:

Year ended December 31,2017 (in thousand euros)	Prior income tax	Income tax (15%)	After income tax
Operating income/(loss)	(38,000)	(368)	(38,368)
Exceptional income/(loss)	(393)	–	(393)
Net income/(loss)	**(38,393)**	**(368)**	**(38,761)**

*The "competitiveness and employment tax credit" (CICE) amounting to €0.2 million is deducted from staff costs and not booked as tax. For the fiscal year ended December 31, 2017, the rate amounts to 18.33% applied to the 2016 ta result, which corresponds to the difference between 33.33% and the 15% rate applied in 2016.

Net income without non-derogatory tax

The net charge of derogatory amortization amounts to €0.2 million for the year ended 31, 2018 (€0.3 million for the year end 31, 2017).

Net income without non-derogatory tax

The taxable income for the year ended December 31, 2018 includes elements that will generate future tax savings. It is mainly the allowance for retirement and seniority bonuses (base of €3.7 million that will bring the Company to generate a tax saving of €0.9 million).

Tax losses carried forward

Taking into account the tax regulations in force, the Company has tax losses to be carried forward with no time limit in therefore a total amount of €222 million as of December 31, 2018 (€220 million as of December 31, 2017).

Research tax credit

The Company benefits from the provisions of Articles 244 quarter B and 49 septies of the Tax Code relating to research tax credit. In accordance with the principle described in Note2e1, research tax credit is recorded during the year in which the research expenses are eligible.

The following table presents the evolution of research tax credits recognized over the last two years:

	Year ended December 31,	
In thousand euros	**2018**	**2017**
2017 Research tax credit	–	11,022
2018 Research tax credit	13,503	–
Research tax credit	**13,503**	**11,022**

26. Commitments and litigations

Rentals of copiers and company cars

The Company signed leases for its copiers and its company cars. As of December 31, 2018, all these commitments totaled €21 thousand.

Financial leasing – Real Estate

In 2008, the Company contracted with Sogébail, subsidiary of Société Générale's real estate leasing, a leasing contract to finance the acquisition and refurbishment of its headquarters and its main laboratories. For a period of 12 years, the financing amounts to €6,551 thousand excluding tax. The amount of future fees in respect of the

contract with Sogebail, including deadlines for the down-payment, amounted to €777 thousand as of December 31, 2018. The table below excludes them.

During the fiscal year 2016, the Company signed an amendment with Sogebail in order to finance by leasing facilities within the building. For a period of four years, the funding amounts to €846 thousand. The amount of future fees related to this endorsement amounted to €334 thousand as of December 31, 2018.

Due to the increase of employees, the Company signed at June 30, 2017 a lease to rent a new building. The lease covers a period of nine years with possibility for termination after three and nine years. As of December 31, 2018, the commitment related to the rent until June 30, 2020 amounts to €449 thousand.

Categories (in thousand euros)	Land	Buildings	Total
Original Value	**1,560**	**4,991**	**6,551**
Amortizations:			
- Previous years	399	2,907	3,036
- Amortization of the year	42	247	289
Total	**441**	**3,154**	**3,324**
Payments:			
- Previous years	1,657	4,932	6,580
- 2018	173	548	721
Total	**1,830**	**5,480**	**7,301**
Residual value:			
- less than one year	173	548	721
- between one and five years	77	240	317
- more than five years	-	-	-
Total	**250**	**788**	**1,038**

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 December 31, 2018, the overall commitment was amounting to €281 thousand for the period from January 2019 to June 2020.

Borrowings related to the future headquarters

As of July 17, 2017, the Company took out a loan amounting to €15.2 million in order to finance the acquisition of a land and the construction of its future headquarters. As of December 31, 2018, the Company raised this loan to €1.3 million. The commitment as of December 31, 2018 therefore amounts to €13.9 million.

In counterpart, the Company authorized collateral over financial "Société Générale" instruments amounting to €15.2 m. The maturity of the instruments is the following: €4.2 m in July 2024, €5.0 m in July 2027 and €6.0 in July 2031.

Litigations

On April 4, 2012, Platine Pharma Services SAS received notification of a proposed adjustment following a tax audit. The adjustment amounts to €91 thousand. The management of Platine Pharma Services is contesting this adjustment. The period subject to the tax audit was prior to the acquisition of an equity interest in Platine Pharma Services by Transgene. Therefore, in accordance with the liabilities guarantee clause, the contingent liability resulting from this adjustment would only concern Innate Pharma SA. This litigation ended as of December 31, 2018.

Innate Pharma 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 was analyzed at the closing date after consultation of advisors. There is no acknowledging litigation as of December 31, 2018.

27. Post balance sheet events

Pursuant to the authorization granted by the General Meeting of the Company's shareholders held on May 29, 2018, the Executive Board, on January 14, 2019, allocated 90,650 free shares to the employees of the Company (AGA Employees 2018-1).

28. Table of subsidiaries and participations

Subsidiaries / participations	Company	Equity (in thousand euros)	Capital ownership	Net result of the last fiscal year (in thousand euros)
Subsidiary	Innate Pharma Inc.	(588)	100%	5
Subsidiary	Innate Pharma France Sas	-	100%	0

29. Related parties

Member of the Executive board and Executive:

	2018	2017
Salaries and other short-term employee benefits	2,340	1,591
Extra pension benefits	12	12
Advisory fees	100	180
Executive Committee members compensation	**2,452**	**1,783**

Jérôme Tiollier, member of the Executive Committee, resigned from his role on December 31, 2018.

Members of the Supervisory board

The Company recognized a provision of €217 thousand for attendance fees (jetons de présence) relating to the fiscal year ended December 31, 2018 which should be paid in 2019.

As mentioned in Note 13, Bpifrance granted the Company a €1.5 million interest free loan (Prêt à Taux Zéro Innovation, or "PTZI"). This loan will be reimbursed from September 2016 over a 5 year periods.

Related parties

The Company is linked to Novo Nordisk A/S by three licensing agreements related to the drug-candidates lirilumab, monalizumab and anti-C5aR. Under the terms of the agreement, Novo Nordisk A/S is eligible to receive milestone payments as well as royalties on future sales.

As of December 31, 2018, the Company has a €9,039 thousand liability towards Novo Nordisk A/S relating to the additional consideration for monalizumab following the exercise of the option by AstraZeneca and a €756 thousand liability relating to a production delivery of IPH5401.

The Company is related to AstraZeneca 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 at 31 December 2018 are as follows:

	As of December 31, 2018	
(in thousand euros)	**Payments**	**Assets/Liabilities**
Collection (AstraZeneca towards Innate Pharma) / Receivables	102.6	123.9
Payments (Innate Pharma towards AstraZeneca) / Liabilities	(17.3)	(50.0)
Total[1]	**85.3**	**73.50**

[1] In addition, the Company recognized in the income statement a net expense of € 1.1 million as net result from distribution agreements (see Note 15) and an R & D expense of € 1.1 million as operating expenses. operational requirements (see note 14).

As mentioned in Note 9, Bpifrance granted the Company a €1.5 million interest free loan (Prêt à Taux Zéro Innovation, or "PTZI"). This loan will be reimbursed starting in September 2016 over a 5 year period.

Subsidiaries

The Company is linked to its subsidiaries by intragroup agreements. These transactions are arm's-length transactions.

Participations

NiL.

Miscellaneous

As of December 31, 2018 and 2017, the Company did not identify any management and/or equity relationship between the major suppliers used in 2018 and 2017 and the members of its Supervisory board, its Executive board or its Executive Committee, excepting Novo Nordisk A/S. Indeed, during the fiscal year 2018, Novo Nordisk A/S agreed to produce some batches of the anti-C5aR antibody.

30. Fees paid to the legal auditors

The fees related to the legal auditors respectively amounted to €810 thousand and €897 thousand for the fiscal years ended December 31, 2018 and 2017, respectively .

3.3.4. Statutory Auditors' Reports on the financial statements for the Year Ended December 31, 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Innate Pharma Annual General Meeting,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Innate Pharma for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

- **Audit Framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

- **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not express an opinion on any components of the financial statements taken individually.

Key audit matter	Our response
Recognition of clinical subcontracting costs *(See Notes 2l and 19 to the financial statements for the year ended December 31, 2018)*	
Subcontracting costs, which represent a critical component of the financial statements given the Group's activity, account for 55% of the operating expenses. These expenses include clinical study costs (coordination of trials, hospital costs, etc.) that are subcontracted to hospital and clinical research centers. Due to the sometimes significant delays between the completion of services and their invoicing by subcontractors, the expenses recorded in the accounts based on invoices received must be adjusted. This adjustment is automatically calculated and carried out, based on management estimates of the percentage of completion of ongoing trials entered in the information system. This completion is measured via Management's analysis of the following components: • the total forecast costs to be incurred for each study (budgets), • the expected duration of the studies or the number of patient visits or the number of patients, based on the criterion deemed most appropriate to assess the completion. Management is required to make material judgments since the estimate of the amount of services already rendered must be recorded at the closing date. Consequently, we considered the recognition of clinical subcontracting costs to be a key audit matter.	We examined the appropriateness of the control procedures implemented by the Company for the clinical subcontracting costs. This work was completed by substantive tests which consisted in assessing, based on sampling and by exercising our professional judgment: • the appropriateness of the completion criterion adopted with respect to the type of services provided; • the consistency of the components adopted in the calculation of expenses on completion (budgets, estimated durations of studies, number of patients, number of patient visits) in relation to contracts concluded with service providers, subject to our understanding of the change in the studies and the actual data available (recruitment of patients, number of patient visits, reports communicated on scientific results, etc.). • the correct allocation of the expenses invoiced by the service providers to the study concerned. We also verified, by sampling, the automatic calculation of adjustment entries used to record clinical subcontracting costs on completion and their upload into the accounting system.

Key audit matter	Our response
Agreements with AstraZeneca relating to monalizumab and the anti-CD39 antibody *(See Notes 2j, 2l and 17 to the financial statements for the year ended December 31, 2018)*	
In April 2015, Innate Pharma signed a co-development and commercialization agreement with AstraZeneca for the product monalizumab, under which the Company completed several phase II studies and assumed the costs. Innate Pharma also concluded a multi-term agreement with AstraZeneca on October 22, 2018. Under this agreement, AstraZeneca obtained all the monalizumab oncology rights, thereby extending the April 2015 agreement. Under the initial agreement of April 2015, Innate Pharma received an advance of US$ 250 million on June 30, 2015. In addition, the Company received US$ 100 million in January 2019. The purpose of these payments was to remunerate the services rendered by the Company over the duration of the studies. They were recorded in revenue on a percentage of completion basis, based on the costs recorded in the income statement in relation to the total costs to be incurred for the studies concerned. Under the multi-term agreement with AstraZeneca of October 22, 2018, AstraZeneca also acquired an option from Innate Pharma covering the anti-CD39 antibody in consideration for an amount of US$ 50 million, of which US$ 26 million was paid to Innate Pharma in December 2018 and US$ 24 million in January 2019. As with the aforementioned agreement covering the monalizumab product, the purpose of these payments was to remunerate the services rendered by the Company over the duration of the studies. The same accounting treatment was applied. Revenue from cooperation and licensing agreements (€98.2 million) comprises in full the recognition of a portion of the aforementioned amounts for 2018. In this context, we considered the recognition of revenue relating to the agreement with AstraZeneca to be a key audit matter, for the following reasons: • the correct recording of revenue is based on an appropriate measurement of the completion of studies, which implies material management judgments on the forecast total budget of these studies and the appropriate consideration of the expenses already incurred for these studies; • revenue represents a sensitive indicator for both the presentation of the financial statements and the Company's financial reporting.	We familiarized ourselves with the agreements concluded between Innate Pharma and AstraZeneca, in order to assess French GAAP compliance regarding the method used to record in revenue the amounts on completion opposite based on expenses incurred. We also assessed the appropriateness of: • the control procedures implemented by the Company for the recognition of the AstraZeneca agreement, • the expenses incurred (including their allocation to the proper study) and forecast expenses taken into account to measure the percentage of completion of the studies, by considering the work covering the clinical subcontracting costs described above. Lastly, we verified that the Notes to the consolidated financial statements provided a satisfactory disclosure regarding the impacts of the entry into force of IFRS 15 as of January 1, 2018.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

- **Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements**

We have no comments to make on the fair presentation and consistency with the financial statements of the information given in the Executive Board's management report and in the documents addressed to shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, mentioned in Article D.441-4 of the French Commercial Code.

- **Report on Corporate Governance**

We attest that the Executive Board's report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information presented in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information relating to items your Company considers likely to have an impact in the event of a public tender offer or public exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have verified its compliance with the source documents communicated to us. Based on these procedures, we have no matters to report on this information.

- **Other disclosures**

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to acquisitions and controlling interests and the identity of and share capital and voting rights held by shareholders.

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

Audit Conseil Expertise SAS, member of PKF International, were appointed as statutory auditors of Innate Pharma by the Annual General Meeting held on June 29, 2000 while Deloitte & Associés were appointed on March 27, 2014.

As of December 31, 2018, Audit Conseil Expertise SAS, member of PKF International, and Deloitte & Associés were in the 18th and 4th year of total uninterrupted engagement, which are the 12th year and 4th year since the Company was admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

These financial statements have been approved by the Executive Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

• Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Marseille, April 26, 2019
The Statutory Auditors

Audit Conseil Expertise SAS	**Deloitte & Associés**
Member of PKF International	
Guy CASTINEL	Hugues DESGRANGES

3.3.5. Date of the latest financial information

December 31, 2018.

3.3.6. Interim financial information and other

None.

3.3.7. Dividend distribution policy

Since the creation of the Company, it has not made any profits and has not therefore distributed any dividends.

Distribution policy

The Company predicts that it will continue to experience substantial losses over the next few years as its research and development activities continue. Therefore, it will not be in a position to distribute dividends in the near future.

Legal deadline

By law, dividends unclaimed five years after they have been authorized for payment will be given to the French State.

3.3.8. Judicial and arbitration procedures

Our subsidiary Platine Pharma Services (see Note 26 of the consolidated financial statements) has received a re-assessment proposal following the audit of its accounts performed on April 4, 2012. The notified recovery amounts to €91 thousand. This notification is being contested by Platine Pharma Services. As the audit concerned a period prior to the equity investment made by Transgene in Platine Pharma Services, the possible liability arising from this recovery would only concern Innate Pharma SA due to the liability guarantee.

With the exception of these points, the Company is not involved in any governmental, judicial or arbitration proceedings, including any suspended or threatened proceedings of which the Company is aware, which had or could have had over the last 12 months a significant effect on its business, financial situation, prospects, results or development.

3.3.9. Significant changes in the commercial or financial situation of the Company

Since December 31, 2018 and up to the date of this Reference document, there has been no significant change in the commercial or financial situation of the Company.

3.4. PROFIT FORECASTS OR ESTIMATES

None.

CHAPTER 4 - INFORMATION ABOUT CAPITAL AND SHAREHOLDING

4.1. SHARE CAPITAL

4.1.1. Amount of share capital (Article 6 of the By-laws)

At the date of March 31, 2019, the share capital amounted to 3,196,979.30 euros. It is divided into 64,043,905 ordinary shares (A Shares) and 6,931 preferred shares (B Shares).

The Class B Shares (AGAP 2016 acquired in 2017) have no voting rights, are not entitled to dividends and are not transferable. Shares in the Company are fully subscribed and paid in full.

The evolution of the share capital and of the number of shares outstanding fiscal year is described in Section 3.3. and 4.1.8 of this Reference document (table of change in shareholders equity) as well as in Note 11 (share capital) of the Consolidated accounts.

4.1.2. Securities not representing capital

None.

4.1.3. Acquisition by the Company of its own shares

The General Meeting of shareholders held on June 23, 2017 gave the Executive board the authorization to implement a buy-back program for the Company's shares, within the framework of Article L. 225-209 of the French Code of Commerce and in accordance with the General Regulations of the AMF.

This authorization is intended to allow the Company to pursue the following objectives, in compliance with applicable legislative and regulatory provisions:

- to retain the Company's shares that will have been purchased and to use them in exchange or in payment within the context of potential external growth transactions, in accordance with stock market regulations;
- to deliver shares upon the exercise of rights attached to securities giving access to the share capital of the Company;
- to allocate shares to employees or corporate officers of the Company or its subsidiaries in accordance with the terms and conditions set forth by law, in particular with respect to the allocation of free shares, the participation in the profits resulting from the expansion of the business, stock option plans or through a company savings plan;
- to ensure liquidity and to promote the secondary market for the Company's securities;
- to cancel all or part of the repurchased securities; and
- to accomplish all other authorized goals or goals that could become authorized by law or recognized or that would be recognized as a market practice by the Autorité des Marchés Financiers, in which case the Company would inform its shareholders by way of a press release.

For this buy-back program, the maximum purchase price per share was set at 20 euros per share and the maximum amount of funds to be invested in this program was capped at 1 million euros. It was also decided that the Company cannot, under any circumstances, hold either directly or indirectly, more than 10% of its share capital. This authorization was granted for a period of 18 months with effect from the General Meeting of shareholders held on May 29, 2018.

In accordance with the Article L. 225-211 of the French Code of Commerce, the Company hereby indicates how this authorization was used during the previous fiscal year.

In 2015, this authorization has been used exclusively in the context of a liquidity contract purpose of which is to animate the secondary market or to provide the appropriate liquidity of the Company' shares on the market through an investment service provider. Such liquidity contract was terminated on May 13, 2016.

Following the termination of the liquidity contract, the Company held, as of December 31, 2016, 18,575 treasury shares. The aggregate nominal value of these shares is €928.75, or €0.05 per share, and the aggregate book value is €138,198, that is €7.44 per share.

This authorization was not used during the 2017 fiscal year. The number of treasury shares held by the Company has not changed since December 31, 2016.

4.1.4. Other securities giving access to the Company's capital

4.1.4.1. SHARE WARRANTS (BSA)

On June 29, 2011, the Extraordinary General Meeting authorized the issuing of 350,000 share warrants opening the right to subscribe to 350,000 new shares. A total of 325,000 BSA – including 100,000 BSA 2011-1 and 225,000 BSA 2011-2 were granted to independent members of the Supervisory board, to consultants and to members of the Scientific Advisory Board by the Executive board on July 29, 2011. As of March 31, 2019, all the BSA 2011-1 were exercised and it remains 91,940 BSA 2011-2, which represent a total of 91,940 common shares.

On June 28, 2013, the Extraordinary General Meeting authorized the issuing of 300,000 share warrants opening the right to subscribe to 300,000 new shares. The Executive board met on July 17, 2013, and after having received authorization from the Supervisory board, it granted 237,500 BSA (BSA 2013), which were shared between a new independent member of the Supervisory board, consultants and members of the Scientific Advisory Board. As of March 31, 2019, it remains 46,360 outstanding BSA 2013, which represent a total of 46,360 common shares.

The Executive board met on September 18, 2013, and after having received authorization from the Supervisory board, it granted 50,000 BSA (BSA 2013-1), which were granted to a Company consultant. As of March 31, 2019, all BSA 2013-1 have been exercised.

On March 27, 2014, the Extraordinary General Meeting authorized the issuing of 150,000 share warrants, opening the right to subscribe to 150,000 new shares. The Executive board met on July 16, 2014, and after having received authorization from the Supervisory board, it granted 150,000 BSA (BSA 2014), which were shared between Company consultants. As of March 31, 2019, it remains 75,000 BSA 2014 outstanding, which represent a total of 75,000 common shares.

On April 27, 2015, the Extraordinary General Meeting authorized the issuing of 150,000 warrants, giving the right to subscribe to 150,000 new shares. The Executive board met on April 27, 2015, and after having received authorization from the Supervisory board, it granted 80,000 BSA (BSA 2015-1) to independent members of the Supervisory board and to members of the Scientific Advisory Board. The Executive board minuted the subscription of 70,000 BSA 2015-1 on September 25, 2015. As of March 31, 2019, it remains 70,000 BSA 2015-1 outstanding, which represent a total of 70,000 common shares.

The Executive board met on July 1, 2015, and after having received authorization from the Supervisory board, it granted 25,000 BSA (BSA 2015-2) to a new independent member of the Supervisory board. The Executive board minuted the subscription of 14,200 BSA 2015-2 on December 7, 2015. As of March 31, 2019, , it remains 14,200 outstanding BSA 2015-2, which represent a total of 14,200 common shares.

The Annual General meeting held on June 2, 2016 authorized the issuing of 150,000 BSA giving right to the subscription of 150,000 new shares. The Executive board meeting of September 20, 2017, upon authorization of the Supervisory board, attributed 40,000 BSA 2017-1, among which 37,000 were subscribed by independent members of the Supervisory board, which was recorded by the Executive board meeting of December 7, 2017. As of March 31, 2019, it remains 37,000 BSA 2017-1 outstanding, which represent a total of 37,000 ordinay shares.

As of March 31, 2019 there were 334,500 BSA outstanding, which made it possible to subscribe to a total of 334,500 new shares of a par value of 0.05 euros, representing about 0.60% of the Company's capital on the basis of the number of existing shares as of March 31, 2019.

The table below shows the warrants outstanding as of March 31, 2019:

Date issued	Warrants authorized	Warrants issued	Beneficiaries	Warrants exercised	Warrants outstanding as of March 31, 2019	Nb of shares to be issued (1)	Subscription price per share in €	Expiry date
Jul.29, 2011 (BSA 2011-1 BSA 2011-2)	350,000	225,000	Independent members of the Supervisory board, consultants and members of the Scientific Advisory Board	133,060	91,940	91,940	€1.77	Jul.29, 2021
Jul.17, 2013 (BSA 2013)	300,000	237,500	Independent members of the Supervisory board, consultants and members of the Scientific Advisory Board	191,140	46,360	46,360	€2.36	Jul.17, 2023
Jul.16, 2014 (BSA 2014)	150,000	150,000	Consultants	75,000	75,000	75,000	€8.65	Jul.16, 2024
Apr. 27, 2015 (BSA 2015-1)	150,000	70,000	Independent members of the Supervisory board and members of the Scientific Advisory Board	0	70,000	70,000	€9.59	Apr. 26, 2025
Jul. 1, 2015 (BSA 2015-2)	-	14,200	New member of the Supervisory board	0	14,200	14,200	€14.05	Jun. 30, 2025
Sept. 20, 2017 (BSA 2017-1)	150,000	37,000	Supervisory board members	0	37,000	37,000	€11	Sept. 20, 2027

Date issued	Warrants authorized	Warrants issued	Beneficiaries	Warrants exercised	Warrants outstanding as of March 31, 2019	Nb of shares to be issued (1)	Subscription price per share in €	Expiry date
Total :	1,100,000	733,700	N/A	399,200	334,500	334,500	N/A	N/A

4.1.4.2. DISTRIBUTION OF REDEEMABLE SHARE SUBSCRIPTION AND/OR ACQUISITION WARRANTS (*BONS DE SOUSCRIPTION/D'ACQUISITION D'ACTIONS REMBOURSABLES*, « BSAAR »)

The Executive board of the Company, acting under the delegation of the General Meeting of shareholders held on June 29, 2011, decided on September 9, 2011, to propose 1,000,000 BSAAR 2011 to certain employees and company officers. On January 11, 2012, the Executive board minuted the subscription of 650,000 BSAAR 2011 among the 1,000,000 BSAAR proposed to the Beneficiaries by the Executive board on September 9, 2011. As of March 31, 2019, it remains 255,000 outstanding BSAAR 2011, which may give rise to the issue of 255,000 new shares at a subscription price of 2.04 euros per share.

The Executive board of the Company, acting under the delegation of the General Meeting of shareholders held on June 28, 2012 decided on May 27, 2013, to propose 200,000 BSAAR 2012 to certain employees and company officers. On July 3, 2013, the Executive board minuted the subscription of 146,050 BSAAR 2012 among the 200,000 BSAAR 2012 proposed to the Beneficiaries by the Executive board on May 27, 2013, which may give rise to the issue of 146,050 new common shares. As of March 31, 2019, it remains 62,350 BSAAR 2012, which may give rise to the issue of 62,350 new shares at a subscription price of 2.04 euros per share.

The Executive board of the Company, acting under the delegation of the General Meeting of shareholders held on April 27, 2015 decided on July 1, 2015, to propose 1,499,207 BSAAR 2015 to employees and company officers at a price of 1.15 euros per BSAAR subscribed. On December 7, 2015, the Executive board minuted the subscription of 1,050,382 BSAAR 2015 among the 1,499,207 BSAAR 2015 proposed to the Beneficiaries, which may give rise to the issue of 1,050,382 new common shares at a subscription price of 7.20 euros per share. As of March 31, 2019, it remains 1,045,722 BSAAR, which may give rise to the issue of 1,045,722 new shares at a subscription price of 7.20 euros per share.

As of March 31, 2019, it remains a total of 1,363,072 BSAAR, which may give rise to the subscription of 1,363,072 new shares of a nominal value of 0.05 euro, representing around 2.37% of the share capital of the Company on the basis of the number of shares issued as of March 31, 2019.

The table below shows the outstanding BSAAR at April 3, 2018:

Date issued	Warrants issued	Beneficiaries	Price of warrant	Warrants exercised	Warrants outstanding as of March 31, 2019	Nb of shares to be issued (1)	Subscription price per share in €	Expiration Date
Sep.9, 2011 (BSAAR 2011)	650,000	Employees and company officers	€0.05	395,000	255,000	255,000	€2.04	Sep.9, 2021
May.27, 2013 (BSAAR 2012)	146,050	Employees	€0.11	83,700	62,350	62,350	€2.04	May.27, 2023

July 1, 2015 (BSAAR 2015)	1,050,382	Employees and company officers	€1.15	1,940	1,045,722	1,045,722	€7.20	Jun. 30, 2025
Total	1,846,432	–	–	480,640	1,353,072	1,353,072	–	–

(1) With a nominal value of €0.05

4.1.4.3. FREE PREFERRED SHARES CONVERTIBLE INTO ORDINARY SHARES (AGAP)

The General Meeting of shareholders held on June 2, 2016, has decided to create a new category of shares, the preferred shares, convertible into ordinary shares under a long-term incentive plan, to the benefit of the Executive Committee salaries members and/or corporate officers and to the employees of the Company (the "**Preferred shares**" or "**AGAP**"). To this purpose, the Extraordinary General Meeting of shareholders held on June 2, 2016, authorized the issuance of 5,000 Preferred Shares (AGAP Management 2016) to the benefit of Executive Committee salaried members and/or corporate officers of the Company as well as 2,500 Preferred Shares to the benefit of the Employees of the Company (AGAP Employees 2016).

The Executive board of October 21, 2016, attributed 2,000 AGAP Management of the Executive Committee salaried members and to corporate officers of the Company and 2,486 AGAP Employees to the employees of the Company.

The Executive board of December 30, 2016, attributed 3,000 AGAP Management to the new Chairman of the Company.

The Executive board of October 23, 2017 recorded the definitive acquisition of 1,550 AGAP Management 2016-1 and 2,381 AGAP Employees 2016-1 and the capital increase amounting to €196.55 arising from it and leading to the issuance and creation of 3,931 AGAP 2016 (B Shares), paid up by including reserves to the share capital. The Executive board of October 23, 2017 changed the Company's by-laws (in accordance with resolutions 23, 24 and 25 of the 2016 Annual General Meeting) to create B Shares.

The Executive board of March 6, 2018 recorded the definitive acquisition of 3,000 AGAP Management 2016-2 and the capital increase amounting to €150 arising from it and leading to the issuance of 3,000 AGAP 2017 (B shares), paid up by including reserves to the share capital.

The AGAP 2016 must be kept by the beneficiaries until October 21, 2019 for the AGAP 2016-1 and until December 30, 2019 for the AGAP 2016-2. At the end of this two-year period, the conversion ration shall be determined and the AGAP 2016 may be converted into a maximum of 200 ordinary shares. The rights and obligations of the AGAP 2016 as well as their conversion terms are detailed in 2.3.2.1.5.

The General Meeting of shareholders held on June 23, 2017 authorized the issuance of 4,000 Preferred Shares ("AGAP Dirigeants 2017") to the benefit of Executive Committee salaried members and/or corporate officers of the Company as well as 8,500 Preferred Shares to the benefit of the Employees of the Company (AGAP Employees 2017).

The Executive board of April 3, 2018 attributed 2,400 AGAP Management 2017-1 to the Executive Committee salaried members and/or corporate officers and 5,725 AGAP Employees 2017-1 to Company's employees.

The AGAP attributed in 2017 will be definitely acquired at the end of a one-year acquisition period, on April 3, 2019.

At the registry date of this Reference document, there is no outstanding Preferred Shares, since the 2016-1 and 2016-2 Preferred Shares, though they have been definitively acquired by their beneficiaries, are not transferable; only the ordinary shares that will result from the conversion will be transferable.

The table below shows the AGAP attributed as of March 31, 2019:

Issuance date	AGAP attributed	Definitive acquisition date	Beneficiaries	Number of AGAP definitely acquired	Number of shares that could be issued(1) (in case of maximum conversion of the AGAP)
10/21/2016	2,486	10/23/2017	Employees	2,381	476,200
10/21/2016	2,000	10/23/2017	Executive committee members and corporate officers	1,550	310,000
12/30/2016	3,000	12/30/2017	Executive committee members and corporate officers	3,000	600,000
04/03/2018	5,725	-	Employees	-	572,500
04/03/2018	2,400		Executive committee members and corporate officers	-	240,000
Total	**-**	**-**	**-**	6,931	**2,198,700**

(1) With a nominal Value of €0.05.

4.1.4.4. PERFORMANCE FREE SHARES (AGA PERFORMANCE)

The General Meeting of shareholders held on May 29, 2018, authorized the Executive board to attribute free shares on the basis of the achievement of performance criteria to executive officers, Executive Board members and Executive committee members (AGA Performance Management 2018). To this purpose, the Extraordinary General Meeting held on May 29, 2018 authorized the issuance of 300,000 AGA Performance Management 2018 to the benefit of executive officers, Executive Board members and Executive committee members.

The Executive board of November 20, 2018, attributed 260,000 AGA Performance Management 2018 to executive officers, Executive Board members and Executive committee members.

The General Meeting of shareholders held on May 29, 2018, authorized the Executive board to attribute free shares on the basis of the achievement of performance criteria to employees (AGA Performance Employees 2018). To this purpose, the Extraordinary General Meeting held on May 29, 2018 authorized the issuance of 450,000 AGA Performance Employees 2018 to the benefit of employees.

The Executive board of November 20, 2018, attributed 327,500 AGA Performance Employees 2018 to employees.

The AGA Performance Management 2018 attributed to executive officers, Executive Board members and Executive committee members and the AGA Performance Employees 2018 attributed to Employees will be definitively acquired by the beneficiaries at the end of a three-year acquisition period, *i.e.* November 20, 2021.

The table below shows the AGA Performance attributed as of March 31, 2019:

Issuance date	AGA Performance attributed	Definitive acquisition date	Beneficiaries	Number of AGA Performance definitely acquired	Number of shares that could be issued(1) (in case of maximum conversion of the AGA Performance)
11/20/2018	260,000	11/20/2021	Executive officers, Executive Board members and Executive committee members	0	260,000
11/20/2018	327,500	11/20/2021	Employees	0	327,500
Total	**587,500**	–	–	0	**587,500**

(1) With a nominal Value of €0.05.

4.1.4.5. FREE SHARES

The General Meeting of shareholders held on June 2, 2016, authorized the Executive board to attribute free shares to the new members of the Executive Committee and/or to the corporate officers of the Company newly hired or appointed and to the employees of the Company the (AGA). To this purpose, the Extraordinary General Meeting held on June 2, 2016 authorized the issuance of 350,000 AGA Management to the benefit of the new Executive Committee members and/or the new corporate officers and of 250,000 AGA Employees to the benefits of the employees of the Company.

The Executive board of October 21, 2016, attributed 50,000 AGA Management and 99,932 AGA Employees to the employees of the Company.

The Executive board of December 30, 2016 attributed 250,000 AGA Management to a new corporate officer and 149,943 AGA Employees to the employees of the Company.

The Executive board of October 23, 2017, recorded the definitive acquisition of 98,770 AGA Employees and the capital increase amounting to €4,938.50 arising from it and leading to the issuance of 98,770 new ordinary shares paid up by including reserves to the share capital.

The Executive board of March 6, 2018 recorded, with effect on December 30, 2017, the definitive acquisition of 144,978 AGA Employees and the capital increase amounting to €7,248.90 arising from it and leading to the issuance of 144,979 new ordinary shares paid up by including reserves to the share capital.

The AGA Management attributed in 2016 to the members of the Executive Committee and to the corporate officers will be definitively acquired by the beneficiaries at the end of a three-year acquisition period.

The General Meeting of shareholders held on June 23, 2017 authorized the Executive board to attribute free shares to Executive Committee salaried members and/or corporate officers of the Company as part of their annual variable compensation. To this purpose, the General Meeting of shareholders of June 23, 2017 authorized the issuance of 50,000 AGA Bonus to the benefit of Executive Committee salaried members and/or corporate officers of the Company.

The Executive board of September 20, 2018 attributed 28,556 AGA Bonus 2017-1 to Executive Committee salaried members and/or corporate officers of the Company. Following the waiver of this option by a beneficiary, 3,577 AGA Bonus Management were not granted.

The Executive board of October 5, 2018 recorded the definitive acquisition of 22,055 AGA Bonus 2017-1 and the capital increase amounting to €1,102.75 arising from it and leading to the issuance and creation of 22,055 new ordinary shares, paid up by including reserves to the share capital.

The General Meeting of shareholders held on June 23, 2017 authorized the Executive board to attribute free shares to employees. To this purpose, the General Meeting of shareholders of June 23, 2017 authorized the issuance of

200,000 AGA Employees to the benefit of Company's employees.

The Executive board of April 3, 2018 attributed 114,500 AGA Employees 2017-1 to Company's employees.

The AGA Employees 2017-1 attributed in 2018 will be definitely acquired at the end of a one-year acquisition period, *i.e.* April 3, 2019.

The General Meeting of shareholders held on May 29, 2018 authorized the Executive board to attribute free shares to Executive Committee salaried members and/or corporate officers of the Company as part of their annual variable compensation. To this purpose, the General Meeting of shareholders of May 29, 2018 authorized the issuance of 90,000 AGA Bonus to the benefit of Executive Committee salaried members and/or corporate officers of the Company.

The Executive board of July 3, 2018 attributed 67,028 AGA Bonus 2018-1 to Executive Committee salaried members and/or corporate officers of the Company.

The AGA Bonus 2018-1 attributed in 2018 will be definitely acquired at the end of a one-year acquisition period, *i.e.* July 3, 2019.

The General Meeting of shareholders held on May 29, 2018 authorized the Executive board to attribute free shares to employees. To this purpose, the General Meeting of shareholders of May 29, 2018 authorized the issuance of 110,000 AGA Employees to the benefit of Company's employees.

The Executive board of January 14, 2019 attributed 90,650 AGA Employees 2018-1 to Company's employees.

The AGA Employees 2018-1 attributed in 2019 will be definitely acquired at the end of a one-year acquisition period, *i.e.* January 14, 2020.

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The table below shows the Free Shares attributed as of March 31, 2019:

Issuance date	Shares attributed	Beneficiaries	Shares that can be issued(1)	Shares definitely acquired and issued
10/21/2016	50,000	Executive committee members and corporate officers	50,000	-
10/21/2016	99,932	Employees	99,932	98,770
12/30/2016	149,943	Employees	149,943	144,978
12/30/2016	250,000	Chairman of the Executive board	250,000	-
09/20/2017	28,556	Executive committee members and corporate officers	24, 979	22,055
04/03/2018	114,500	Employees	114,500	
07/03/2018	67,028	Executive committee members and corporate officers	67,028	-
01/14/2019	90,650	Employees	90,650	-
Total	**850,609**	-	**847,032**	**265,803**

(1) With a nominal Value of €0.05.

4.1.5. Fully diluted capital

At March 31, 2019, the number of shares that could be issued from outstanding warrants (334,500 warrants giving the right to subscribe to 334,500 shares), outstanding repayable warrants (1,352,322 repayable warrants giving the right to subscribe to 1,352,322 shares), from the AGAP Management and Employees (15,056 AGAP Management and Employees giving the right, in case of maximum conversion, to a maximum of 2,198,700 shares), from the AGA Performance Management and Employees (587,500 AGA Performance Management and Employees giving the right to subscribe to 587,500 shares) and from the AGA Management and Employees (572,178 AGA Management

and employees giving right to 572,178 shares), totaled 5,055,950 representing approximately 7.33% of the Company's share capital based on the existing number of shares on a fully diluted basis (i.e. 68,988,605).

The following table shows all company warrants issued, repayable warrants, AGA, AGAP and AGA Performance outstanding as at March 31, 2019:

	BSA						BSAAR			AGAP				AGA Performance		AGA				
Date of the General Meeting	06/29/11	06/28/13	03/27/14	04/27/15	04/27/15	06/23/17	06/29/11	06/28/12	04/27/15	06/02/16	06/02/16	06/23/17	06/23/17	05/20/18	05/29/18	06/02/16	06/02/16	06/23/17	05/29/18	05/29/18
Date of the Executive board	07/21/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/17	09/09/11	05/27/13	07/01/15	10/21/16	12/30/16	04/03/18	04/03/18	11/20/18	11/20/18	10/21/16	12/30/16	04/03/18	07/03/18	01/14/19
Number of options/warrants/shares authorized	350,000	300,000	150,000	150,000		150,000	1,000,000	200,000	1,500,000	7,500		4,000	8,500	300,000	450,000	350,000		200,000	90,000	110,000
Number of options assigned/warrants issued/shares distributed	225,000	237,500	150,000	70,000	14,200	40,000	650,000	146,050	1,050,382	4,486	3,000	2,400	5,725	260,000	327,500	50,000	250,000	114,500	67,028	90,650
Starting date for exercising options/warrants or acquisition definitive of the free shares	07/29/11	07/17/13	07/16/14	04/27/15	07/01/15	09/20/19	09/09/11	05/27/13	07/01/15	10/21/17	12/30/17	04/03/19	04/03/19	11/20/21	11/20/21	10/21/19	12/30/19	04/03/19	07/03/19	01/14/20
Ending date for exercising options	07/29/21	07/17/23	07/16/24	04/26/25	06/30/25	09/20/27	09/09/21	05/27/23	06/30/25	04/21/26	06/30/26	10/02/27	10/02/27	–	–	–	–	–	–	–
Subscription price per share	1.77	2.36	8.65	9.59	14.05	1.1	2.04	2.04	7.2					–	–			–	–	–
Number of executive directors concerned	4	2	2	4	1	4	2	0	5	5	1	5	1	1	5	–	1	1	4	0
Number of shares that could be subscribed by exercising the distributed warrants, AGAP or AGA issued (par value €0.05)	225,000	237,500	150,000	70,000	14,200	37,000	650,000	146,050	1,050,382	897,200	600,000	240,000	572,500	260,000	327,500	50,000	250,000	114,500	67,028	90,650
Number of shares subscribed at March 31, 2019	133,060	191,140	75,000				395,000	83,700	1,940											
Number of lapsed or cancelled options or warrants									2,720	111,000										

Remaining shares that could be subscribed (A–B–C)	91,940	46,360	75,000	70,000	14,200	37,000	255,000	62,350	1,045,722	786,200	600,000	240,000	572,500	260,000	327,500	50,000	250,000	114,500	67,028	90,650

(1) Members of the Executive board or Supervisory board

4.1.6. Financial authorization applicable or used during the financial year, that may give rise to a capital increase

The following table summarizes the authority delegated to the Executive board by the Extraordinary General Meeting of the shareholders by the General Meeting of shareholders at the date of this Reference Document:

Delegations of authority granted to the Executive Board by the General Meeting	Duration of delegation	Terms of the delegation	Use during the 2018 fiscal year
General Meeting of May 29, 2018			
Issuance of **free shares for the benefit of employed members of the Executive committee, employed senior executives and/or corporate officers** of the Company or its subsidiaries as part of their variable annual compensation by application of articles L. 225-197-1 and seq. of the French Commercial Code (resolution 17)	38 months July 29, 2021	Maximum amount: €4,500 (90,000 free shares of €0.05)	€3,351.4[1]
Attribution of **free shares for the benefit of employees** of the Company or its subsidiaries by application of articles L. 225-197-1 and seq. of the French Commercial Code (resolution 18)	38 months July 29, 2021	Maximum amount: €5,500 (110,000 free shares of €0,05)	€4,532.5[2]
Attribution of **performance free shares for the benefit of employed members of the Executive committee, employed senior executives and/or corporate officers** of the Company or its subsidiaries by application of articles L. 225-197-1 and seq. of the French Commercial Code (resolution 19)	38 months July 29, 2021	Maximum amount: €15,000 (300,000 free shares of €0,05)	€13,000[2]
Attribution of performance free shares for the benefit of employees of the Company or its subsidiaries by application of articles L. 225-197-1 and seq. of the French Commercial Code (resolution 20)	38 months July 29, 2021	Maximum amount: €22,500 (450,000 free shares of €0,05)	€16,375[3]
Issuance of **autonomous equity warrants** reserved for any individual or legal entity that is a member of the Supervisory Board, without shareholders' preferential subscription rights[1] (Resolution 21)	18 months November 29, 2020	Maximum amount: €2,500 The share subscription price will be at least equal to the average of the closing prices of the share during the last ten stock market trading days preceding the time of allocation of the equity warrants, optionally minus a maximum discount of 10%, being specified that the grant price will be 10% of the exercise price so determined and that the amount paid at subscription will be deducted from the price due under the exercise.	N/A
Issuance of ordinary Company shares and/or securities giving access to the	26 months July 29,	Maximum amount: €720,087.85[4]	N/A

Company's share capital, **with shareholders' preferential subscription rights**[4] (Resolution 22)	2020		
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, **without shareholders' preferential subscription rights** [4] (Resolution 23)	26 months July 29, 2020	Maximum amount: €576,070.30[5] Issuance price: is at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%	N/A
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, **without shareholders' preferential subscription rights to the benefit of qualified investors or a restricted circle of investors** (item II of article L.411-2 of the French Monetary and Financial Code) (Resolution 24)	26 months July 29, 2020	Maximum amount: €576,070.30[6] Issuance price: at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%	N/A
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, **without shareholders' preferential subscription rights to the benefit of certain categories of persons** (Resolution 26)	18 months November 29, 2019	Maximum amount: €576,070.30[6] Issuance price: at least equal to the volume-weighted average of the closing prices of the share during the last five stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 15%	€313,025 [7]
Issuance of ordinary Company shares and securities giving access to the Company's share capital, **as remuneration for contributions in kind** comprising equity securities or securities giving access to the share capital [4] (Resolution 28)	26 months July 29, 2020	Maximum amount: 10% of the Company's share capital on the issuance date[6]	N/A
Issuance of ordinary shares and securities giving access to the Company's share capital, **in the event of a public exchange offer initiated by the Company** [4] (Resolution 29)	26 months July 29, 2020	Maximum amount: €576,070.30[6]	N/A

Issuance of ordinary shares and/or securities giving access to the Company's share capital for the benefit of the members of a company savings plan. (Resolution 31)	26 months July 29, 2020	Maximum amount: €10 000 The subscription price for the new shares will be equal to 80% of the average for the first prices quoted for the Company share traded during the twenty stock market sessions preceding the day of the decision setting the opening date for the subscription when the duration of unavailability provided under the plan is less than ten years, and 70% of this average when said period of unavailability is greater or equal to ten years.	N/A
General Meeting of Jun 23, 2017			
Issuance of **free shares to the benefit of new Executive committee members (employees and/or corporate officers)** of the Company or its subsidiaries as provided under articles L 225-197-1 and seq. of the French Commercial Code (Resolution 26)	38 months August 23, 2020	Maximum amount: €2,500 (*i.e.* 50,000 free shares of €0.05 nominal value).	N/A (8)

(1) Used by the Executive Board of July 3, 2018

(2) Used by the Executive Board of January 14, 2019

(3) Used by the Executive Board of November 20, 2018

(4) Except preferred shares and securities giving right to preferred shares

(5) This amount is to be counted within the overall cap of €720,087.85 stipulated by the 30th resolution of the General Meeting held on May 29, 2018. This overall cap does not take account of adjustments liable to be made in accordance with applicable legislative and regulatory provisions or contractual terms stipulating other cases of adjustment to maintain the rights of the holders of securities or other rights giving access to the share capital

(6) This amount is to be counted within the overall caps of €720,087.85 and €576,070.3 stipulated by the 30th resolution of the General Meeting held on May 29, 2018. This overall caps does not take account of adjustment liable to be made in accordance with applicable legislative and regulatory provisions or contractual terms stipulating other cases of adjustment to maintain the rights of the holders of securities or other rights giving access to the share capital.

(7) Under the development collaboration entered into with AstraZeneca, the Executive Board of October 22, 2018, upon authorization of the Supervisory Board of October 5, 2018, has decided to use the delegation for capital increase granted by the 26th resolution of the General Meeting of May 29, 2018 and through a capital increase subscribed by AstraZeneca, AstraZeneca's affiliate. On October 25, 2018, the Executive Board recorded the capital increase and the issuance of 6,260,500 shares to an issuance price of €10, €0.05 of nominal value and €9.95 of premium. Such amount shall be deducted from the overall cap of €576,070.3 provided under the 30th resolution of the General Meeting of May 29, 2018

(8) The Executive Board will meet on April 2019 to attribute 25,000 free shares to Jennifer Butler

4.1.7. Obligations to buy and sell

None.

4.1.8. Changes in capital as of the date of this Reference document

The table below shows changes in the Company's share capital since the past three fiscal years:

Final date of the transaction	Transaction	Shareholders	Number of shares issued	Par value of shares issued	Unitary value of the shares issued	Nominal amount of the capital increase	Total share premium	Successive amounts of capital	Successive cumulative number of shares composing the share capital
02/04/15	Capital increase – exercise of stock-options and warrants	Employees and executive managers	61,500	€0.05	Various	3,075.00	124,095.00	2,651,594.60	53,031,892
03/04/15	Capital increase – exercise of stock-options and subscription and contribution to company savings plan	Employees	53,372	€0.05	Various	2,668.6	95,677.6	2,654,263.20	53,085,264
04/14/15	Capital increase – exercise of stock-options and warrants	Employees	88,500	€0.05	Various	4,425.00	282,345	2,658,688.20	53,173,764
07/01/15	Capital increase – exercise of stock-options and warrants	Employees and executive managers	350,586	€0.05	Various	17,529.30	684,939.92	2,676,217.50	53,524,350
07/08/15	Capital increase – exercise of stock-options and warrants	Employees and executive managers	76,250	€0.05	Various	3,812.50	238,837.50	2,680,030	53,600,600
12/09/15	Capital increase – exercise of stock-options and warrants	Employees and executive managers	233,414	€0.05	Various	11,670.70	713,814.08	2,691,700.70	53,834,014
01/06/16	Capital increase – exercise of stock-options and warrants	Employees	2,700	€0.05	Various	135.00	5,373	2,691,835.70	53,836,714
05/30/16	Capital increase – exercise of warrants	Employees and executive managers	58,940	€0.05	Various	2,947	132,173	2,694,782.70	53,895,654
11/03/16	Capital increase – exercise of warrants	Employees	25,650	€0.05	Various	1,282.50	51,043.50	2,696,065.20	53,921,304
01/24/17	Capital increase – exercise of warrants	Employees and executive managers	38,950	€0.05	Various	1,947.50	325,195.50	2,698,012.70	53,960,254
02/10/17	Capital increase – exercise of warrants	Employees and executive managers	50,500	€0.05	Various	2,525	116,495	2,700,537.50	54,010,754
06/14/17	Capital increase – exercise of warrants	Employees	1,850	€0.05	Various	92.5	3,681.5	2,700,630.2	54,012,604
07/13/17	Capital increase – Contribution in kind	Novo Nordisk A/S	3,343,748	€0.05	11.12	167,187.4	37,015,290;4	2,867,817.6	57,356,352
10/21/17	Recording the definitive acquisition of AGA and AGAP	Employees and executive managers	98,770 A Shares and 3,931 B Shares	€0.05	Various	5,135.05	–	2,872,952.65	57,455,122 A Shares and 3,931 B Shares
12/30/17	Recording the definitive acquisition of AGA and AGAP	Employees and executive managers	144,978 A Shares and 3,000 B Shares	€0.05	Various	7,398.9	–	2,880,351.55	57,600,100 A Shares and 6,931 B Shares
09/20/18	Recording the definitive acquisition of AGA	Executive managers	22,055 A Shares	€0.05	4.75	1,102.75	–	2,881,454.3	57,622,155 A Shares and 6,931 B Shares
10/25/18	Capital increase	Third party	6,260,500	€0.05	10	313,025	62,291,075	3,194,479.3	63,882,655 A Shares and 6,931 B Shares
11/29/18	Capital increase – exercise of warrants	Employees and executive managers	50,000	€0.05	Various	2,500	–	3,196,979.3	63,932,655 A Shares and 6,931 B Shares

4.1.9. Pledges

4.1.9.1. PLEDGES OF COMPANY SHARES

None.

4.1.9.2. PLEDGES OF COMPANY ASSETS

The Company leases its headquarters through a lease-finance agreement arranged by SOGEBAIL (see Section 3.2.1.2 of this Reference document).

4.2. MAIN SHAREHOLDERS

4.2.1. Shareholders with more than 5% of the share capital or voting rights

The table below shows the distribution of the Company's shares and voting rights as of March 31, 2019, to the knowledge of the Company:

Shareholders	Number of shares	%	Number of voting rights	%
Company Officers including:	14 467 142	22,63%	14 467 142	22,64%
- Members of the Executive Board	*80 910*	*0,13%*	*80 910*	*0,13%*
- Members of the Supervisory board including:	*14 386 232*	*22,50%*	*14 386 232*	*22,51%*
- Novo Nordisk A/S	*8 908 456*	*13,93%*	*8 908 456*	*13,94%*
- Bpifrance Participations	*4 396 682*	*6,88%*	*4 396 682*	*6,88%*
Employees (excluding Company Officers) [1]	591 234	0,92%	591 234	0,92%
MedImmune Limited [2]	6 260 500	9,79%	6 260 500	9,80%
Treasury shares	18 575	0,03%	0	0,00%
Other shareholders	42 595 204	66,63%	42 595 204	66,64%
Total	**63 932 655**	**100,00%**	**63 914 080**	**100,00%**

1 Employees recorded in nominative accounts
2 MedImmune Limited is indirectly controlled by AstraZeneca PLC

The number of shares used to calculate the share capital and votes allocation are only the ordinary shares belonging to the category A of shares. The 6,931 B shares (AGAP attributed in 2016 and acquired in 2017), have no right to vote and to dividends and are not transferable, that's why they are not included into such calculation.

The following main transactions were declared with respect to Innate Pharma shares in 2017 and until the date of deposit of this Reference document:

Threshold changed of Wellington Management Group LLP

On November 16, 2018, Wellington Management Group LLP, acting for the account of clients and funds that it manages, sent a letter declaring that on November 14, 2018, it fell below the threshold of 5% of Innate Pharma's share capital and voting rights and holding, for the account of said clients funds, 3,042,096 shares of Innate Pharma.

The fall below the 5% threshold resulted from a sale of Innate Pharma shares on the market.

On the date of this Reference Document, to the Company's knowledge, there were no other shareholders holding more than 5% of the share capital.

Threshold changed of MedImmune Limited

On October 25, 2018, MedImmune Limited, indirectly controlled by AstraZeneca PLC, sent a letter to the Company, declaring that on October 23, 2018, it passed above the threshold of holding 5% of Innate Pharma's share capital and voting rights and holding 6,260,500 shares of Innate Pharma.

Such passing of thresholds resulted from a subscription to a capital increase of Innate Pharma.

History of the distribution of share capital and voting rights:

The table below shows the distribution of the Company's shares and voting rights as of March 6, 2018:

Shareholders	Number of shares	Percentage	Number of shares	Percentage
Company Officers including :				
Members of the Executive Board	54,937.00	0%	54,937.00	0.10%
Members of the Supervisory Board including :	14,386,232.00	25%	14,386,232.00	24.98%
Novo Nordisk A/S	8,908,456.00	15%	8,908,456.00	15.47%
Bpifrance Participations	4,396,682.00	8%	4,396,682.00	7.64%
Employees without Company Officers (1)	472,626.00	1%	472,626.00	0.82%
Wellington Management Group LLP	3,471,789.00	6%	3,471,789.00	6.03%
Treasury shares	18,575.00	0%	0.00	0.00%
Other shareholders	39,195,941.00	68%	39,195,941.00	68.07%
Total	57,600,100.00	100%	57,581,525.00	100.00%

(1) Employee recorded in nominative accounts

The table below shows the distribution of the Company's shares and voting rights as of February 10, 2017:

Shareholders	Number of shares	Percentage	Number of shares	Percentage
Company Officers including:	6,819,340	12.63%	6,819,340	12.63%
- Members of the Executive board	*113,537*	*0.21%*	*113,537*	*0.21%*
- Members of the Supervisory board	*6,705,803*	*12.42%*	*6,705,803*	*12.42%*
- including Novo Nordisk A/S	*5,564,708*	*10.3%*	*5,564,708*	*10.3%*
Employees (excluding Company officers)[1]	498,276	0.92%	498,276	0.92%
Bpifrance Participations	4,396,682	8.14%	4,396,682	8.14%
Perceptive Advisors LLC	2,735,842	5.06%	2,735,842	5.06%
Treasury shares[2]	18,575	0.34%	0	0.00%
Other shareholders	39,542,039	73.22%	39,542,039	73.22%
Total	54,010,754	100.00%	53,992,179	99.96%

(1) Employees recorded in nominative accounts

(2) Through the liquidity contract

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4.2.2. Lock-up commitments of main shareholders and executive directors

None.

4.2.3. Existence of different voting rights

None.

4.2.4. Shareholders' agreements and control of the Company by mthe main shareholders

- See Section 2.2.8 "Elements likely to have an impact in the event of a public offering".

4.3. ARTICLES OF INCORPORATION AND BY-LAWS

By-laws of the Company are available on the corporate website.

4.3.1. Business purpose (Article 4 of the By-laws)

The Company's business purpose, directly or indirectly, in France or other countries is to:

- perform, for itself or on behalf of third parties, any and all operations involving research, development, studies, perfecting of production processes and marketing products of pharmaceutical interest;
- register or grant any patents or licenses relating directly or indirectly to the business; and
- perform any operation, whether economic, legal, financial, civil or commercial, which may be directly or indirectly related to the business purpose or any similar, associated or complementary purpose.

4.3.2. Executive board, Supervisory board and general management bodies (Articles 14 to 24 of the By-laws)

4.3.2.1. Executive board (Articles 14 to 16 of the By-laws)

The Executive board is responsible for managing the Company and is composed of a minimum of two members and a maximum of five members who perform their duties under the supervision of the Supervisory board.

Members of the Executive board

The members of the Executive board are appointed or have their mandates renewed by the Supervisory board. The members of the Executive board must be individuals. They are not required to be shareholders. They may be French citizens or citizens of other countries.

The maximum age for being a member of the Executive board and the limitations on having such a mandate concurrently with a mandate in another company are subject to the applicable legal and regulatory provisions.

The term of office for the members of the Executive board is three years and may be renewed. If there is a vacancy, the Supervisory board must fill the vacancy within two months. The replacement is appointed for the time remaining until the Executive board is up for renewal.

Chairman of the Executive board

The Executive board elects a Chairman from among its members to serve for the duration of his mandate as a member of the Executive board. The Chairman of the Executive board represents the Company in its relations with third parties.

The Supervisory board may assign this power of representation to one or more other members of the Executive board; such persons then have the title of Chief Operating Officer.

Meetings and powers of the Executive board

The Executive board meets as often as the interests require, but at least once per quarter. Meetings are called by the Chairman or a member of the Executive board appointed for this purpose.

The Executive board has a broad power to act under all circumstances on behalf of the Company. It exercises this power within the limits of the Company's business purpose and subject to any powers expressly given to the Supervisory board and Shareholders' Meetings by law and according to the Company's By-laws, and abiding by any restrictions on powers decided by the Supervisory board.

4.3.2.2. SUPERVISORY BOARD (ARTICLES 17 TO 21 OF THE BY-LAWS)

Members of the Supervisory board

The Executive board is supervised by a Supervisory board made up of a minimum of three members and a maximum of eighteen. The members of the Supervisory board are appointed for a renewable term of two years at the General Meeting of shareholders, which may revoke their mandates at any time. The appointees are selected from among the shareholders and may be individuals or companies. Each member must own at least one of the Company' shares for the entire term of the mandate.

The age limit for being a member of the Supervisory board and the limitations on holding such appointment mandate concurrently with appointment mandate in another company are subject to the applicable legal and regulatory provisions.

Chairman of the Supervisory board

The Supervisory board appoints a Chairman and a Vice-Chairman, in charge of convening the Supervisory board and leading the debates, from its members who are individuals.

Meetings and powers of the Supervisory board

The Supervisory board meets as often as the interests of the Company require but at least once per quarter. Meetings are called by the Chairman or Vice-Chairman, or by a member of the Executive board or one-third of the members of the Supervisory board, under the circumstances and according to the conditions set forth in the By-laws.

The Supervisory board exercises permanent control over the Company's management by the Executive board. It alone has the authority to give permission for certain significant transactions.

Committees

The Supervisory board may decide to establish committees responsible for reviewing matters which the Supervisory board or its Chairman wish to submit to them for examination and advice.

4.3.2.3. SHAREHOLDERS' OBSERVERS (ARTICLE 23 OF THE BY-LAWS)

At the General Meeting of shareholders, one or more shareholders' observers may be appointed, at the discretion of the shareholders for a renewable term of one year. Shareholders' observers may be individuals or companies and are not required to be shareholders.

The observers attend all Supervisory board meetings, with the right to speak but not to vote.

4.3.3. Rights and obligations attached to shares (Article article 7 and 12 of the By-laws)

The share capital of the Company is divided between A Shares (ordinary shares) and B Shares (preferred shares).

Rights and obligations attached to A Shares

Without prejudice to the rights attached to B Shares, each A share entitles to a portion of the corporate profits and assets in proportion to the portion of share capital that it represents.

In addition, such share gives the right to vote and be represented at General Meetings of Shareholders pursuant to the conditions provided by law and in these articles of association. Shares of the Company (including shares of the Company that might be allocated for free in the framework of a capital increase through the incorporation of reserves, issue premiums or profits) do not grant a double voting right pursuant to the last paragraph of Article L. 225-123 of the French Commercial Code.

Shareholders are only liable up to the nominal amount of the shares which they hold and any request for funds beyond that amount is prohibited.

Ownership of a share automatically implies agreement to be bound by the Company's by-laws and the decisions of the General Meeting of Shareholders.

The heirs, creditors, successors or other representatives of the shareholder cannot request seals to be placed on the Company's assets and securities or request their distribution or sale by public auction, or to interfere with its

management. In order to exercise their rights, they should rely on company records and the decisions of the General Meeting of Shareholders.

Whenever it is necessary to hold several shares in order to exercise a right of any kind, in the case of an exchange, regrouping or allocation of securities, or further to a share capital increase or decrease, merger or other corporate transaction, holders of single shares or of less than the number of shares so required will only be able to exercise such right if they themselves collect and, as the case may be, purchase or sell, the required number of securities.

However, the Company may, in the case of an exchange of securities further to a merger or demerger, a share capital reduction, the regrouping or division and mandatory conversion of bearer into registered shares, or the distribution of securities deducted from reserves or in connection with a share capital reduction, or the distribution or allocation of free shares, pursuant to a decision of the Executive Board, sell any securities in respect of which the persons entitled thereto have not requested delivery subject to having carried out the publicity formalities provided by regulations at least two years beforehand.

As from the date of such sale, the prior securities or rights to distribution or allocation shall be cancelled as and when required, and their holders shall only be entitled to the allocation of the net proceeds of sale of unclaimed securities.

Rights and obligations attached to B Shares

B Shares and the rights of holders thereof are governed by the applicable provisions of the French Commercial Code, in particular Articles 228-11 et seq. thereof.

The maximum number of B Shares that may be allocated is 7,500 shares.

Only the B Shares convertible into A Shares pursuant to the terms and conditions specified below grant the right to vote in the general meetings of holders of Ordinary Shares, applicable only from the date at which they become convertible. The B Shares that have become convertible will bear rights as from the first day of the financial year preceding the financial year during which they become convertible. The amount of the dividend (and, if applicable, of the portion of the reserves) to which each B Share entitles is equal to the amount due in respect of an A Share, multiplied by the number of A Shares that can be received from the conversion of each B Share.

B Shares give no preferential subscription right to any capital increase or any operation granting a right on A Shares.

In the event of an operation taking place before the B Shares are converted pursuant to the conditions provided below, the conversion ratio will be adjusted pursuant to the provisions of Article L. 228-99, Paragraph 2, 3° and Paragraph 5 of the French Commercial Code.

With regards to the ownership of corporate assets, a B Share gives right to a portion of the liquidation surplus in proportion to the portion of share capital that it represents.

Only the B Shares convertible into A Shares pursuant to the terms and conditions specified below grant the right to vote in the ordinary and extraordinary general meetings of holders of A Shares, applicable only from the date at which they become convertible. The number of voting rights granted by each B Share is equal to the number of A Shares that can be received from the conversion of each B Share.

B Shares grant the right to vote in the special meetings of holders of B Shares. Holders of B Shares are grouped into a special meeting for any proposed modification of the rights attached to B Shares. In addition, pursuant to the provisions of Article L. 228-17 of the French Commercial Code, any proposed merger or demerger of the Company in which B Shares cannot be exchanged for shares with equivalent particular rights will be subject to the approval of any relevant special meeting.

Special meetings can only make valid decisions if the holders of B Shares that are present or represented hold at least, when convened for the first time, one third, and when convened for the second time, one fifth of the B Shares carrying the right to vote. If the capital is modified or adjusted, the rights of holders of B Shares are adjusted so that their rights may be maintained pursuant to Article L. 228-99 of the French Commercial Code. The other rights attached to B Shares are specified in the next paragraph.

Conversion of B Shares into A Shares

The issuance of B Shares may only be decided in the framework of an allocation of free shares in favour of the employees and/or executive officers of the Company, pursuant to the provisions of Articles L. 225-97-1 of the French Commercial Code.

B Shares will be definitively acquired by the beneficiaries after an acquisition period of one year from their allocation by the Executive Board and subject to the beneficiary's presence in the Company or its consolidated subsidiaries as an employee, executive officer or member of an executive or supervisory body or, if applicable, of the equivalent thereof in foreign law. The "**Acquisition Date**" is defined as the end of the acquisition period of the Preference Shares.

However, in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code (or the equivalent thereof in an applicable

foreign law), the B Shares will be allocated definitively prior to the Acquisition Date.

The B Shares become convertible in A Shares, either new or existing at the Company's option, after the above-mentioned one-year vesting period from their allocation by the Executive Board, followed by a two-year retention period from the definitive allocation (the "B"), under the conditions set forth below. The "**Expiry Date of the Retention Period**" is defined as the end of the Retention Period.

As from the first anniversary date of the Acquisition Date, B Shares will be freely transferable to a credit institution in the framework of a pledge agreement.

Pursuant to the provisions set forth in the Article L. 225-197-1 I., Paragraph 6 of the French Commercial Code, the B will be freely transferable in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code, regardless of whether such invalidity occurs before or after the Acquisition Date.

B Shares may only be converted for a conversion period of six years and six months from the Expiry Date of the Retention Period (the "**Conversion Period**").

During the Conversion Period, each holder of B Shares will have the right to convert each of his B Shares in A Shares, either new or existing (at the Company's option). The number of A Shares to which the conversion of one B Share will entitle will be equal to the sum of (i) a number of Ordinary Shares determined according to the fulfilment of an internal condition (the "**Internal Condition**") and a market condition as defined below ((the "**Market Condition**") (together the "**Performance Criteria**").

The fulfilment of the Performance Criteria will give the right to convert each B share in a maximum of 200 A Shares, i.e. a maximum of 100 Ordinary Shares under the Internal Condition and a maximum of 100 Ordinary Shares under the Market Condition.

It is specified that this conversion ratio thus determined will be adjusted in order to take into account the shares to be issued to preserve the rights of holders of securities or other rights giving access to the share capital and holders of B Shares under legal and statutory requirements and provisions set forth above.

The Internal Condition in order to calculate the number of B Shares that can be converted will be determined as a function of the highest of the following two alternative criteria:

(a) The first criterion is a function of the consolidated collected turnover of the Company relating to a present or future partnership or licensing agreement, cumulated over the period from 1 July 2016 to 30 June 2019 (the "Cash Revenues"):

(i) If the Turnover is strictly inferior to 50 million euros, the conversion ratio under the Internal Condition will be equal to 0;

(ii) If the Turnover is superior or equal to 50 million euros and inferior to 150 million euros, the conversion ratio under the Price Condition will be equal to :

[(Turnover-50)/100]×100

(iii) If the Cash Revenues are equal or superior to 150 million Euros, the conversion ratio under the Internal Condition will be equal to 100;

(b) The second criterion is a function of the maturity of the portfolio of drug candidates developed by the Company during the three years before the Expiry Date of the Retention Period. "Drug candidates developed by the Company" mean Lirilumab, Monalizumab and IPH4102. For each of these products:

(i) In the event of the authorization by the competent regulatory authority the United States or in Europe for the Company or one of its partners to carry out a Phase III trial or a clinical trial with a view to register a product, the conversion ratio under the Internal Condition will be equal to 50;

(ii) In the event of the authorization by the competent regulatory authority in the United States or in Europe for the Company or one of its partners to carry out two Phases III trials or clinical trials with a view to register two products and/or two different indications for one product, the conversion ratio under the Internal Condition will be equal to 75;

(iii) In the event of an acceptance from the European Medicines Agency (EMA) in Europe or the Food and Drug Administration (FDA) in the United States to examine a filing by the Company or one of its partners of a marketing authorization request, the conversion ratio under the Internal Condition will be equal to 100.

The Market Condition in order to calculate the conversion ratio of B Shares into A Shares will be determined depending on the stock market price of the Innate Pharma share:

The terms "**Initial Price**" mean the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the Allocation Date by the Executive Board.

The terms "**Final Price**" mean the highest average closing price of the Innate Pharma share on Euronext Paris over a period of sixty consecutive days calculated at any time

during the three years prior to the Expiry Date of the Retention Period.

The terms "**High Price**" means the Initial Price multiplied by two.

(a) If the Final Price is strictly inferior to the Initial Price, the conversion ratio under the Market Condition will be equal to 0;

(b) If the Final Price is between (i) a value equal or superior to the Initial Price and (ii) a value inferior to the High Price, the conversion ratio under the Market Condition will be equal to:

[(Final Price / Initial Price) -1 /] x 100

(c) If the Final Price is equal or superior to the High Price, the conversion ratio under the Market Condition will be equal to 100.

The right to convert B Shares into A Shares, as well as the right to vote in the general meetings of A Shares holders and the right to the dividend and to a portion of the reserves attached to B Shares that have become convertible pursuant to provisions set forth above, are subject to the condition of the beneficiary's presence in the Company or its consolidated subsidiaries as an employee, an executive officer or a member of an executive or supervisory body or, if applicable, of the equivalent thereof in foreign law as at the Expiry Date of the Retention Period. In the event that such condition ceases to be fulfilled, the Company may proceed at any moment to the redemption of B Shares in the conditions set forth below. It is specified that the provisions of this paragraph do not apply if the presence of the beneficiary in the Company or its consolidated subsidiaries ceases due to death, invalidity or retirement.

The fulfilment of the Performance Criteria will be recorded in a meeting of the Executive Board as soon as practicable after the Expiry Date of the Retention Period.

B Shares that cannot be converted into A Shares depending on the extent to which the Performance Criteria are fulfilled or if the presence condition as at the Expiry Date of the Retention Period is not fulfilled, and B Shares that can be but will not have been converted at the end of the Conversion Period, may be bought at any time by the Company (which is under no obligation to do so) at their nominal value.

At the end of the Conversion Period, the Company will have the possibility to proceed, pursuant to applicable legal and regulatory provisions, to the cancellation of B Shares that will have not been converted, including those that it will have bought. The share capital will then be reduced accordingly, and creditors will have the right to oppose such reduction in the conditions set forth in Article L. 225-205 of the French Commercial Code.

New A Shares resulting from the conversion of B Shares will be assimilated to existing A Shares, will bear rights as from the first day of the financial year preceding the financial year during which they become convertible, and will grant to their holders, starting from their delivery, all the rights attached to A Shares. They will be subject to a request for listing on the regulated market of Euronext Paris on the same listing line as A Shares.

By way of derogation to the above, the allocation of B Shares can take place after the date of their allocation by the Executive Board and prior to the Acquisition Date, in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code, at the beneficiary's request.

The Executive Board will record the conversion into A Shares of the B Shares for which the conversion fulfils the conditions set forth above, as well as the number of A Shares resulting from the conversions of B Shares that have taken place, and will modify the by-laws accordingly, in particular with regards to the breakdown of shares by category. This competence may be delegated to the Chairman of the Executive Board under the conditions set forth by law.

If the conversion of B Shares into A Shares results in a capital increase, such increase will be fully paid up at issue through the incorporation of reserves, profits or issue premiums for the corresponding amount.

Shareholders will be informed of the conversions having taken place by the reports of the Executive Board and Statutory Auditors pursuant to Article R. 228-18 of the French Commercial Code. These supplementary reports will be made available to the shareholders at the Company's registered office as from the date on which each meeting is convened.

4.3.4. General Meeting of shareholders (Articles 26 to 34 of the By-laws)

General Meeting of shareholders is called by the Executive board, or failing that, by the Supervisory board. They can also be called by the auditor(s) or an officer appointed by a court upon request, by any interested party or by the Works Council in an emergency, by one or more shareholders holding at least five percent of the shares or by an association of Company shareholders.

The meeting is published in the Bulletin of Obligatory Legal Notices (Bulletin des Annonces Légales Obligatoires or BALO) at least 35 days prior to the date of a General

Meeting of shareholders. In addition to the information concerning the Company, the notice indicates in particular the agenda of the General Meeting of shareholders and the draft resolutions that will be presented.

In the 21 days preceding the meeting, the Company will publish the information and documents relating to the meeting on its web site.

In accordance with article R.225-73-1 of the French Code of Commerce, the General Meeting of shareholders must be announced at least fifteen days beforehand, by a notice placed in a journal that publishes legal announcements in the department where the headquarters are located, and in the BALO. Holders of registered shares who have owned them for at least one month as of the date on which the latest notice is published receive individual notices. When a General Meeting of shareholders is unable to take action because the requisite quorum is not present, a second meeting is called at least six days in advance using the same procedure as the first one.

The General Meeting of shareholders may only take action on items on the agenda. However, it may dismiss and replace one or more members of the Supervisory board at any time. One or more shareholders representing at least the percentage of share capital fixed by law, and acting according to the legally required conditions and deadlines, are allowed to request that draft resolutions be added to the agenda of the General Meeting of shareholders.

Any shareholder has the right to attend General Meeting of shareholders in person or to appoint a proxy holder, in accordance with the legal and statutory requirements, and to take part in deliberations by presenting proof of identity and ownership of shares, subject to:

- for holders of registered shares, an entry in the shareholder registry at least two business days before the General Meeting of shareholders; and
- for holders of bearer shares, filing, under the conditions provided by law, of a certificate of participation issued by an authorized intermediary two days before the date of the General Meeting of shareholders.

4.3.5. Shareholder identification (Article 9 of the By-laws)

Shares may be registered or bearer shares, at the option of the shareholder, subject to the applicable legal requirements.

To identify the holders of bearer shares, the Company is authorized to ask in accordance with current legal and regulatory requirements, the central depositary that maintains the records of the issue of these shares, in exchange for a fee, for the holders' name or business name, year of birth or year of incorporation, address and nationality, number of securities held giving access to the capital and any restrictions to which the securities are subject.

4.3.6. Voting rights (Article 32 of the By-laws)

The voting rights attached to shares are in proportion to the amount of capital they represent and each share gives the right to one vote.

4.3.6.1. DOUBLE VOTING RIGHTS

None.

4.3.6.2. LIMITATION ON VOTING RIGHTS

None.

4.3.7. Modification of the by-laws (article 36 of the by-laws)

Modification of the Company by-laws is the prerogative of a special general meeting of shareholders of the Company.

4.3.8. Crossing the threshold set in the By-laws (Article 11 of the By-laws)

Without prejudice to the legal or regulatory stipulations, any natural person or legal entity who goes above or below, directly or indirectly, acting alone or together with others, a percentage of the share capital or voting rights equal to or higher than 1% or a multiple of this percentage, must inform the Company of the total number of shares, voting rights and securities giving access to capital or voting rights that it or he owns immediately or within the term set forth in the By-laws within five trading days of the date on which such ownership threshold is crossed.

4.4. INFORMATION ABOUT THE COMPANY

4.4.1. Company name

Company Name: Innate Pharma.

4.4.2. Business and company registry

Innate Pharma is registered with the Marseille Business and Company Registry as number SIREN 424 365 336 RCS Marseille.

The Company's NAF Code is 7211 Z. This is the code for Research and Development in Biotechnologies.

4.4.3. Company incorporation and term

The Company was incorporated on September 15, 1999, as a "*société par action simplifiée*" and then transformed into a "*société anonyme*" on June 13, 2005 and registered on September 23, 1999. The Company will expire on September 23, 2098.

4.4.4. Head offices

117 Avenue de Luminy - BP 30191
F-13276 Marseille Cedex 09
France
Tel : +33 (0)4 30 30 30 30

4.4.5. Legal form and applicable law

A *société anonyme* organized with an Executive board and a Supervisory board subject to the provisions of Book II of the French "Code de Commerce" and all other applicable regulations.

4.4.6. Fiscal year

The fiscal year starts on January 1 and ends on December 31 of each year.

4.5. INFORMATION ON HOLDINGS

As of December 31, 2018, Innate Pharma SA has two wholly-owned subsidiaries:

- Innate Pharma, Inc.; and
- Innate Pharma France.

Innate Pharma, Inc. was incorporated on March 3, 2008 and is located in the United States in the State of Delaware. Mondher Mahjoubi is President and Laure-Hélène Mercier is Vice President of Innate Pharma Inc. It was created to host the Company's business development activities in the United States. She was without activity since January 2011. In July 2018, this subsidiary recruited an employee to support the Company's activities.

Innate Pharma France was incorporated by the Company on December 10, 2018 as a simplified joint stock company with a single shareholder, registered in the Marseille Trade and Companies Register under number 844 853 119. It is chaired by the Company, represented by Mondher Mahjoubi.

In particular, it is intended to ensure the commercial exploitation of Lumoxiti.

The Company's subsidiaries are fully consolidated.

The financial flows between the Company and its subsidiaries are summarized below (in accordance with IFRS):

Consolidated values (except dividends)	Innate Pharma Inc. (in thousand euros)	Innate Pharma France (in thousand euros)	Company (in thousand euros)	Total (in thousand euros)
Fixed assets (including goodwill)	0	0	131,754	131,754
Non-group financial debt	587	0	4,522	5,109
Balance sheet (excluding current and non-current financial assets)	47	0	152,314	152,361
Cash flows from operating activities	42	0	(32,532)	(32,532)
Dividends paid during the year to the Company	0	0	0	0

4.6. RELATED-PARTY TRANSACTIONS

Transactions with related parties are presented below and in the special report of the Auditors on regulated agreements and commitments presented below.

4.6.1. Agreement concluded with Jean-Yves Blay as member of the Supervisory Board

On September 14, 2018, the Company entrusted Jean-Yves Blay, in addition to his role as Supervisory Board Member, with a specific mission pursuant to article L.225-84 of de French Commercial Code.

This special mission consists for Jean-Yves Blay, because of his scientific and medical qualifications, to attend the meetings of the Strategic Advisory Board (SAB), i.e. at least one physical meeting and around two conference calls per year. In this context, he will exchange with the members of the SAB and will present to the Supervisory Board, at least once a year, a report on his opinion on the SAB's proceedings.

This special mission took effect on September 14, 2018 for the duration of Jean-Yves Blay's term of office as a member of the Supervisory Board, i.e. until the date of the General Shareholders' Meeting called to approve the 2018 financial statements and, as the case may be, for as long

as his term of office as a member of the Supervisory Board is renewed.

As compensation for discharging this mission, Jean-Yves Blay receives an annual remuneration of €10,000.

Motivation:

This mission enables the Supervisory Board to obtain an informed opinion on the work of the SAB, from one of its members with appropriate scientific and medical qualifications.

4.6.2. Amendment to the manufacturing agreement concluded with Novo Nordisk A/S

On September 19, 2018, Innate Pharma and Novo Nordisk A/S entered into an amendment to the manufacturing agreement dated December 13, 2007 under which Novo Nordisk A/S agreed to manufacture additional batches of C5Ar.

The amendment provides for the adjustment of the quantity of products supplied by Novo Nordisk A/S and for the modification of the price paid by Innate Pharma to €3,218,590.64.

The signature of this amendment was authorized by the Supervisory Board on September 14, 2018.

Motivation:

This amendment makes it possible to calculate the final price based on the quantity actually produced.

4.6.3. Agreement concluded with Hervé Brailly, as Chairman of the Supervisory Board

On December 14, 2016, with effect as from December 30, 2016, the Supervisory board decided to grant to Hervé Brailly, in addition to his role as Chairman of the Supervisory Board, a special mission under article L. 224-84 of the French Commercial Code with a period of one year, renewed for another period of one year by the Supervisory Board on December 13, 2017.

Such special mission mainly consisted in ensuring the transition to the new executive team of Innate Pharma and in providing strategic advices.

Under such special mission, Hervé Brailly received a gross compensation amounting to €100,000 in 2018.

Such special mission ended on December 31, 2018.

4.6.4. Agreements concluded with Mondher Mahjoubi as Chairman of the Executive Board

4.6.4.1. ARTICLE 83:

Mondher Mahjoubi benefited from an « Article83 » pension contract with France Vie, at a contribution rate of 2% of his gross compensation, of which 1.20% borne by Innate Pharma.

The amount paid by Innate Pharma for the 2018 fiscal year amounted to € 4,928.

4.6.4.2. COMPANY CAR:

Mondher Mahjoubi benefited from the lease of a company car, at a cost of € 4,493 in 2018.

4.6.4.3. NON-COMPETITION AND NON-SOLICITATION UNDERTAKING:

Mondher Mahjoubi's mandate agreement dated December 14, 2016 with effect as from December 30, 2016, provides for the payment of a lump sum equivalent to two years of fixed and variable compensation in consideration of his non-competition and non-solicitation clauses, to be paid monthly for 24 months as from the date on which he will no longer be Chairman of the Executive board.

No payment was made under such Mandate during the fiscal year ended on December 31, 2018.

4.6.5. Agreements concluded with Yannis Morel as Executive board member

4.6.5.1. Compensation:

Yannis Morel received an annual salary of € 216,000 in 2018.

Yannis Morel will receive, in 2019, for the year 2018, an individual bonus amounting to € 31,649 and an exceptional bonus amounting to € 27,450.

4.6.5.2. Article 83:

Yannis Morel benefited from an "Article 83" pension contract with France Vie, at a contribution rate of 2% of his gross compensation, of which 1.20% borne by the Company.

The amount paid by Innate Pharma for the 2018 fiscal year amounted to € 2,122.

4.6.5.3. Company car:

Yannis Morel benefited from the lease of a company car, at a cost of € 1,800 in 2018.

4.6.6. Agreement concluded with Novo Nordisk A/S as shareholder

4.6.6.1. Collaboration agreement:

Novo Nordisk A/S and Innate Pharma signed on March 28, 2006 a collaboration and exclusive license agreement for the development and commercialization of IPH2101.

Amendment N°1 was signed on October 6, 2008 with the main purpose to give Innate Pharma exclusive rights for the development and commercialization of the drug candidate IPH2101.

Amendment No. 2 was concluded on October 6, 2008; under the terms of this amendment, Innate Pharma gave up milestone payments for rights and royalties on sales of IPH2301, another drug candidate given in license to Novo Nordisk A/S.

Amendment No. 3 of June 26, 2009 relates to adjustments in the management of patents.

Amendment No. 4 was signed on December 16, 2010, modifying the scope of their respective development, without financial incidence.

Amendment No. 5 was signed on January 5, 2011 in order to update the list of patents.

Amendment No. 6 was signed on July 5, 2011 to align certain terms of the contract with the BMS agreement signed by Innate Pharma on July 6, 2011.

Amendment No. 7 was signed on February 5, 2014 under which Novo Nordisk A/S sold to Innate Pharma the rights on Anti-NKG2A for € 7 million, broken down into € 2 million paid in cash and 600,000 shares Innate Pharma. Under Amendment No. 7, Innate Pharma agreed to reimburse Novo Nordisk A/S for the annual maintenance costs of an underlying license from Novo Nordisk A/S to a third party.

Amendment No. 8 was signed on November 3, 2016 with retroactive effect on September 16th, 2016,under which Innate Pharma and Novo Nordisk A/S agreed to adjust the terms of payment to align our reimbursement obligations with Novo Nordisk A/S to the costs owed by Novo Nordisk A/S to that third party.

4.6.6.2. License agreement:

Novo Nordisk Health Care AG, a fully owned subsidiary of Novo Nordisk A/S, and Innate entered into a License Agreement on December 9, 2013 by which Novo Nordisk Health Care AG granted to Innate Pharma a co-exclusive license to patents relating to protein engineering.

4.6.6.3. Agreement concluded with Novo Nordisk A/S:

On March 24, 2016, Innate Pharma and Novo Nordisk A/S agreed on the amounts owed by Innate Pharma to Novo Nordisk A/S as a result of the co-development agreement entered into with AstraZeneca in April, 2015. Under such agreement, Innate Pharma paid to Novo Nordisk A/S an amount of € 6,500,000. Moreover, if AstraZeneca pays the amount of USD 100,000,000 provided under the contract entered into between Innate Pharma and AstraZeneca in April 2015 pursuant to the exercise of the licensing option, Innate Pharma shall pay an additional amount of USD 15,000,000 to Novo Nordisk A/S. On the date of this letter, the additional payment of AstraZeneca has become certain. Therefore, the additional payment of USD 15 million to Novo Nordisk A/S has been made.

4.6.6.4. ACQUISITION OF C5AR FROM NOVO NORDISK A/S

On June 2, 2017, Innate Pharma entered into a contribution in kind agreement with the company Novo Nordisk A/S under which Novo Nordisk A/S undertook to transfer shares to Innate Pharma by way of contribution, which contribution relates to all the shares held by Novo Nordisk A/S in a company named NN C5aR S.A.S, set up for the purpose of acquiring the exclusive development and commercial rights in the anti-C5aR antibody by Innate Pharma.

The terms of the agreement provide for payments up to € 370 million by way of development, regulatory and sales milestone payments and to double digit royalties on future net sales in excess of 10%.

Moreover, under the transaction described above, the following agreements were entered into with Novo Nordisk A/S:

(i) Exclusive license agreement dated July 4, 2017;

(ii) Side letter dated June 23, 2017 under which Innate Pharma and Novo Nordisk A/S agreed on the transaction terms and the payment by Innate Pharma of some external advisory costs and other costs relating to the manufacturing of a first batch;

(iii) An indemnity agreement dated July 13, 2017.

4.6.6.5. AGREEMENT CONCLUDED WITH NOVO NORDISK A/S UNDER THE NKG2A TRANSACTION

Under the NKG2A transaction, Innate Pharma entered into an agreement with Novo Nordisk A/S on December 8, 2017 to deal with the tax implications of such transaction.

This agreement provides that Innate Pharma shall assist Novo Nordisk A/S with the French tax authorities and Novo Nordisk shall cooperate and provide all necessary documents, which will be requested to ensure the payment to the French tax authorities.

4.6.6.6. MANUFACTURING AGREEMENT CONCLUDED WITH NOVO NORDISK A/S

On December 13, 2017, Innate Pharma and Novo Nordisk A/S entered into an agreement under which Novo Nordisk A/S agreed to manufacture additional batches of C5Ar for an amount estimated to €2,462,497.

In accordance with the authorization of the Supervisory Board dated September 14, 2018, an amendment has been executed, under which the quantity of products supplied by Novo Nordisk A/S was adjusted and the price paid by Innate Pharma was changed to €3,218,590.64.

4.6.7. Statutory Auditors' special report on regulated agreements and commitments - Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2018

This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have identified during the course of our audit, as well as the reasons justifying that such agreements and commitments are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (Code de Commerce), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Furthermore, it is our responsibility, as applicable, to provide you with the information stipulated in Article R. 225-58 of the French Commercial Code concerning the performance over the past fiscal year of the agreements and commitments previously approved by the Shareholders' Meeting.

We carried out the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL

Agreements and commitments authorized during the fiscal year

Pursuant to Article L. 225-88 of the French Commercial Code, we have been advised of the following agreements and commitments which were previously approved by your Supervisory Board.

Agreement concluded with Mr. Jean-Yves Blay as member of the Supervisory Board

Nature and purpose: on September 14, 2018, the Company entrusted Mr. Jean Yves Blay, in addition to his role as Supervisory Board Member, with a specific mission pursuant to article L.225-84 of de French Commercial Code.

This special mission consists for Mr. Jean-Yves Blay, because of his scientific and medical qualifications, to attend the meetings of the Strategic Advisory Board (SAB), i.e. at least one physical meeting and around two conference calls per year. In this context, he will exchange with the members of the SAB and will present to the Supervisory Board, at least once a year, a report on his opinion on the SAB's proceedings.

Terms and conditions: this special mission took effect on September 14, 2018 for the duration of Mr. Jean-Yves Blay's term of office as a member of the Supervisory Board, i.e. until the date of the General Shareholders' Meeting called to approve the 2018 financial statements and, as the case may be, for as long as his term of office as a member of the Supervisory Board is renewed.

As compensation for discharging this mission, Mr. Jean-Yves Blay receives an annual remuneration of €10,000.

Reason: this mission enables the Supervisory Board to obtain an informed opinion, from one of its members with appropriate scientific and medical qualifications, on the work of the SAB.

Amendment to the manufacturing agreement concluded with Novo Nordisk A/S

Nature and purpose: on December 13, 2017, Innate Pharma and Novo Nordisk A/S entered into an agreement under which Novo Nordisk A/S agreed to manufacture additional batches of C5aR. On September 19, 2018, Innate Pharma and Novo Nordisk A/S entered into an amendment to the manufacturing agreement dated December 13, 2007 under which Novo Nordisk A/S agreed to manufacture additional batches of C5aR.

Terms and conditions: the amendment provides for the adjustment of the quantity of products supplied by Novo Nordisk A/S and for the modification of the price paid by Innate Pharma which amounts to €3,218,590.

The signature of this amendment was authorized by the Supervisory Board on September 14, 2018.

Reason: This amendment makes it possible to calculate the final price based on the quantity actually produced.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous years with continuing effect during the past fiscal year

In accordance with Article R. 225-57 of the French Commercial Code, we have been advised that the following agreements and commitments approved in previous years by the Shareholders' Meeting have had continuing effect during the past fiscal year.

Agreement concluded with Mr. Hervé Brailly as Chairman of the Supervisory Board

On December 14, 2016, with effect as from December 30, 2016, the Supervisory board decided to grant to Mr. Hervé Brailly, in addition to his role as Chairman of the Supervisory Board, a special mission under article L. 224-84 of the French Commercial Code with a period of one year, renewed for another period of one year by the Supervisory Board on December 13, 2017.

Such special mission mainly consisted in ensuring the transition to the new executive team of Innate Pharma and in providing strategic advices.

Under such special mission, Mr. Hervé Brailly received a gross compensation amounting to €100,000 in 2018.

Such special mission ended on December 31, 2018.

Agreements concluded with Mr. Mondher Mahjoubi as Chairman of the Executive Board

Article 83:

Mr. Mondher Mahjoubi benefited from an « Article83 » pension contract with France Vie, at a contribution rate of 2% of his gross compensation, of which 1.20% borne by Innate Pharma.

The amount paid by Innate Pharma for the 2018 fiscal year amounted to € 4,928.

Company car:

Mr. Mondher Mahjoubi benefited from the lease of a company car, at a cost of € 4,493 in 2018.

Non-competition and non-solicitation undertaking:

Mr. Mondher Mahjoubi's mandate agreement dated December 14, 2016 with effect as from December 30, 2016, provides for the payment of a lump sum equivalent to two years of fixed and variable compensation in consideration of his non-competition and non-solicitation clauses, to be paid monthly for 24 months as from the date on which he will no longer be Chairman of the Executive board.

No payment was made under such Mandate during the fiscal year ended on December 31, 2018.

Agreements concluded with Mr. Yannis Morel as Executive Board member

Compensation:

Mr. Yannis Morel received an annual salary of € 216,000 in 2018.

Mr. Yannis Morel will receive, in 2019, for the year 2018, an individual bonus amounting to € 31,649 and an exceptional bonus amounting to € 27,450.

Article 83:

Mr. Yannis Morel received an annual salary of € 216,000 in 2018.

Mr. Yannis Morel will receive, in 2019, for the year 2018, an individual bonus amounting to € 31,649 and an exceptional bonus amounting to € 27,450.

Company car:

Mr. Yannis Morel benefited from the lease of a company car, at a cost of € 1,800 in 2018.

Agreement concluded with Novo Nordisk A/S as shareholder

Collaboration agreement:

Novo Nordisk A/S and Innate Pharma signed on March 28, 2006 a collaboration and exclusive license agreement for the development and commercialization of IPH2101.

Amendment N°1 was signed on October 6, 2008 with the main purpose to give Innate Pharma exclusive rights for the development and commercialization of the drug candidate IPH2101.

Amendment No. 2 was concluded on October 6, 2008; under the terms of this amendment, Innate Pharma gave up milestone payments for rights and royalties on sales of IPH2301, another drug candidate given in license to Novo Nordisk A/S.

Amendment No. 3 of June 26, 2009 relates to adjustments in the management of patents.

Amendment No. 4 was signed on December 16, 2010, modifying the scope of their respective development, without financial incidence.

Amendment No. 5 was signed on January 5, 2011 in order to update the list of patents.

Amendment No. 6 was signed on July 5, 2011 to align certain terms of the contract with the BMS agreement signed by Innate Pharma on July 6, 2011.

Amendment No. 7 was signed on February 5, 2014 under which Novo Nordisk A/S sold to Innate Pharma the rights on Anti-NKG2A for € 7 million, broken down into € 2 million paid in cash and 600,000 shares Innate Pharma. Under Amendment No. 7, Innate Pharma agreed to reimburse Novo Nordisk A/S for the annual maintenance costs of an underlying license from Novo Nordisk A/S to a third party.

Amendment No. 8 was signed on November 3, 2016 with retroactive effect on September 16th, 2016,under which Innate Pharma and Novo Nordisk A/S agreed to adjust the terms of payment to align our reimbursement obligations with Novo Nordisk A/S to the costs owed by Novo Nordisk A/S to that third party.

License agreement:

Novo Nordisk Health Care AG, a fully owned subsidiary of Novo Nordisk A/S, and Innate entered into a License Agreement on December 9, 2013 by which Novo Nordisk Health Care AG granted to Innate Pharma a co-exclusive license to patents relating to protein engineering.

Agreement concluded with Novo Nordisk A/S:

On March 24, 2016, Innate Pharma and Novo Nordisk A/S agreed on the amounts owed by Innate Pharma to Novo Nordisk A/S as a result of the co-development agreement entered into with AstraZeneca in April, 2015. Under such agreement, Innate Pharma paid to Novo Nordisk A/S an amount of € 6,500,000. Moreover, if AstraZeneca pays the amount of USD 100,000,000 provided under the contract entered into between Innate Pharma and AstraZeneca in April 2015 pursuant to the exercise of the licensing option, Innate Pharma shall pay an additional amount of USD 15,000,000 to Novo Nordisk A/S. On the date of this

letter, the additional payment of AstraZeneca has become certain. Therefore, the additional payment of USD 15 million to Novo Nordisk A/S will be made within 15 days following the payment of AstraZeneca, which is due on January 31, 2019.

Acquisition of C5aR from Novo Nordisk A/S:

On June 2, 2017, Innate Pharma entered into a contribution in kind agreement with the company Novo Nordisk A/S under which Novo Nordisk A/S undertook to transfer shares to Innate Pharma by way of contribution, which contribution relates to all the shares held by Novo Nordisk A/S in a company named NN C5aR S.A.S, set up for the purpose of acquiring the exclusive development and commercial rights in the anti-C5aR antibody by Innate Pharma.

The terms of the agreement provide for payments up to € 370 million by way of development, regulatory and sales milestone payments and to double digit royalties on future net sales in excess of 10%.

Moreover, under the transaction described above, the following agreements were entered into with Novo Nordisk A/S:

(i) Exclusive license agreement dated July 4, 2017;

(ii) Side letter dated June 23, 2017 under which Innate Pharma and Novo Nordisk A/S agreed on the transaction terms and the payment by Innate Pharma of some external advisory costs and other costs relating to the manufacturing of a first batch;

(iii) An indemnity agreement dated July 13, 2017.

Agreement concluded with Novo Nordisk A/S under the NKG2A transaction:

Under the NKG2A transaction, Innate Pharma entered into an agreement with Novo Nordisk A/S on December 8, 2017 to deal with the tax implications of such transaction.

This agreement provides that Innate Pharma shall assist Novo Nordisk A/S with the French tax authorities and Novo Nordisk shall cooperate and provide all necessary documents, which will be requested to ensure the payment to the French tax authorities.

Marseille, April 26, 2019
The Statutory Auditors

Audit Conseil Expertise SAS	**Deloitte & Associés**
Member of PKF International	
Guy CASTINEL	Hugues DESGRANGES

CHAPTER 5 - ADDITIONAL INFORMATION

5.1. PERSON RESPONSIBLE

5.1.1. Name and position of the person responsible for this Reference document

Mr. Mondher Mahjoubi

Chairman of the Executive board

5.1.2. Declaration by the person responsible for this Reference document

"*I hereby declare, after taking all reasonable precautions, that the information contained in this Reference document is true and accurate to the best of my knowledge and contains no material omissions.*

I hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the assets, financial position and results of the Company and all of the entities within the scope of consolidation, and that the information pertaining to the management report listed in section 6.1 reflects the changes in the Company's turnover, results and financial position and of all of the entities included within the consolidation scope as well as a description of the principle risks and uncertainties that they are faced with.

I have received a completion of work letter from the statutory auditors in which they state that they have completed an audit of information on the financial position and accounts given in this Reference document and read the Reference document in its entirety."

Chairman of the Executive board

Mr. Mondher Mahjoubi

5.2. PERSON RESPONSIBLE FOR THE AUDITING OF ACCOUNTS

5.2.1. Statutory Auditors

Audit Conseil Expertise SAS — Member of PKF International
Member of the Compagnie Regionale des Commissaires aux comptes d'Aix-en-Provence
Nicolas Lenertz, Partner (signatory)
17, boulevard Augustin Cieussa
13007 Marseille

Appointed at the General Meeting of shareholders held on June 29, 2000. During the General Meeting of shareholders held on June 28, 2012, Audit Conseil Expertise, SA was re-appointed for a period of six financialyears until the General Meeting of shareholders in 2018, called to approve the financial statements for the financialyear ending December 31, 2017.

Deloitte et Associés SA
Member of the Compagnie Regionale des Commissaires aux comptes de Versailles
Hugues Desgranges, Partner (signatory)
185 avenue Charles de Gaulle
92524 Neuilly-sur-Seine

Appointed by the General Meeting of shareholders on 27 March 2014 to replace PricewaterhouseCoopers Audit, whose term of office had expired, for a term of six fiscal years, expiring in 2020 after the General Meeting of shareholders called to approve the financial statements for the fiscal year ending December 31, 2019.

5.2.2. Alternate statutory auditors

FIDEA Contrôle SARL
Member of the Compagnie Regionale des Commissaires aux comptes of Paris
101 rue Mirosmenil

75008 PARIS

Appointed at the General Meeting of shareholders held on June 28, 2012, in order to replace Mr. Norbert Muselier, for a period of six fiscal years, expiring after the General Meeting of shareholders in 2018 called to approve the financial statements for the fiscal year ended December 31, 2017.

B.E.A.S. SARL
Member of the compagnie régionale des Commissaires aux comptes of Versailles
195 avenue Charles de Gaulle
92200 Neuilly-sur-Seine

The Ordinary Meeting of shareholders on 27 March 2014 has therefore been called upon to appoint B.E.A.S. SARL,195 avenue Charles de Gaulle, 92200 Neuilly-sur-Seine to replace Mr Etienne Boris, whose term of office has expired, as joint statutory alternate auditor for a term of six fiscal years expiring in 2020 after the Ordinary Meeting of shareholders called to approve the financial statements for the fiscal year ending on 31 December 2019.

5.3. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

None.

5.4. DOCUMENTS ACCESSIBLES TO THE PUBLIC

It is possible to consult or ask for a copy of the Company's corporate documents (articles of incorporation, general assembly minutes and other documents) at its headquarters. This is also the case for any reports, letters, assessments and statements drawn up by an expert upon the Company's request, as well as all background financial information on the Company. Copies of this reference document are available free of charge at the Company's headquarters, 117 avenue de Luminy 13009 Marseille. This reference document can also be downloaded from the Company's website (www.innate-pharma.com) and on the AMF website (www.amf-france.org).

All background financial information can be found in the section called "Investors" on the Company's website (www.innate-pharma.com).

You can contact the Company via the Investors department:

117 avenue de Luminy

13009 Marseille

Tel : (+33) 4 30303030

e-mail: investors@innate-pharma.fr

CHAPTER 6 - APPENDIX

6.1. CROSS-REFERENCE TABLE

ELEMENTS OF THE 2018 REFERENCE DOCUMENT

	INFORMATION REQUIRED UNDER APPENDIX 1 OF REGULATION (EC) 809/2004	Section of the Reference document
1.	**PERSONS RESPONSIBLE**	Chapter 5
1.1.	Persons responsible of the information contained in the registration document	5.1.1
1.2.	Declaration by the persons responsible	5.1.2
2.	**STATUTORY AUDITORS**	5.2
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2.2.	Resignation or departure of Statutory Auditors	None
3.	**SELECTED FINANCIAL INFORMATION**	Page 6
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6.3.	Exceptional events	1.1.2, 1.2
6.4.	Degree of dependence on patents, licenses or contracts	1.3.1, 1.5.2, 1.9.8
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8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	1.7.2
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9.2.	Operating result	3.1.1.3
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9.2.2.	Changes in the financial statements	3
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12.	**INFORMATION ABOUT TRENDS**	1.3.1, 1.3.2
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12.2	Known trends that may influence on issuer's prospects	1.3.1, 1.3.2
13.	**PROFIT FORECASTS OR ESTIMATES**	
13.1.	Main assumptions on which the issuer based its forecast or estimation	Not applicable
13.2.	Statutory auditors'report	None
14.	**ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND GENERAL MANAGEMENT**	2
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Main risks (Art. L. 225-100 and L. 225-100-2 of the French "Commercial Code")	1.9
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COMPONENTS OF THE MANAGEMENT REPORT AND OF THE CORPORATE GOVERNANCE REPORT FOR 2018

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Social and environmental consequences of activities and corporate commitment to sustainable development and against discriminations and promoting diversity	Chapter 4 of the Management Report
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REPORT ON CORPORATE GOVERNANCE	
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Use of delegation of powers	
List of delegations of powers granted by the AGM to the Executive Board in terms of capital increase, with the use made of these delegations	4.1.6
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For each member of the Supervisory Board, total compensation and perks paid by the Company, including equity instruments, debt securities, or instruments awarding equity or debt securities of the Company	2.3.2
Description of the compensations and perks with a distinction between fixed, variable and exceptional elements and the criteria applied for their calculation or the circumstances in the wake of which they have been awarded	2.3.1
Commitments of all nature made by the Company to the company officers' advantage related to elements of compensation, allowances or benefits that are due or likely to be because of the taking, termination or change of functions or subsequently to it, especially pension benefits and life annuity advantage; the information given has to specify precise ways and means to determine these commitments and the estimate of the amounts likely to be paid for these	Not applicable
Project of resolutions constituted by the Supervisory Board and submitted to the ex-ante vote to approve the criteria and principles of determination, distribution and awarding of fixed, variable and exceptional elements of the total compensation and perks attributable to the members of the Executive Board and of the Supervisory Board because of their mandate and details on these elements of compensation	2.3.1
Elements of variable or exceptional compensation granted and the precision that their payment has to be approved by an AGM	2.3.1

6.2. GLOSSARY

AFSSAPS/ANSM

Agence Française de Sécurité Sanitaire des Produits de Santé. This is the body responsible in France for the monitoring of the clinical trials of our drug candidates and for their marketing authorization. This agency has become l'Agence Nationale de Sécurité du Médicament (ANSM)

Autoimmunity

Disturbance of the immune system function that recognizes elements which are normally present in the organism as being foreign (autoreactivity), triggering the destruction of normal cells or the production of autoreactive antibodies, thereby causing chronic inflammation. Autoimmunity lies at the origin of many diseases. In autoimmune pathologies, the target may be a specific organ (*e.g.,* autoimmune diabetes) or the immune system can exert activity against a wide variety of targets (*e.g.,* lupus).

Autoreactivity

Ability of the immune system to recognize elements of the self. Autoreactivity is the phenomenon involved in autoimmune pathologies (see autoimmune).

Benefit / risk ratio

For a drug candidate, the evaluation of the expected therapeutic benefits compared with possible side-effects and the probability of their occurrence is the basis for the decision to conduct clinical trials in humans, and constitutes the main outcome measure for regulatory agencies. This evaluation of probabilities lies at the root of medical judgment. Side-effects considered unacceptable for a benign pathology may thus be acceptable in a more critical context.

Biological marker

Measurable biological parameter whose quantitative variations are linked to a drug candidate's mechanism of action, used to evaluate its biological activity in patients. For example, the number of circulating ‥ cells is a biological marker of the activity of ‥ agonists.

Cell therapy

Treatment in which the therapeutic product administered to the patient consists of a cell preparation obtained from the patient's own cells in the laboratory.

Chemotherapy

Treatment of a cancer using chemical agents that are toxic to malignant cells (cytotoxic) or inhibit cell growth (cytostatic) so as to reduce the tumor.

Clinical development

Studies of a drug candidate conducted on humans under the control of the health authorities, with the ultimate goal of obtaining a marketing authorization. Such studies usually take place in three phases. In Phase I, the product is administered to healthy volunteers in order to evaluate the tolerance and to measure certain pharmacokinetic parameters. In Phase II, the product is administered to small groups of patients with particular pathologies to determine the effective dose and shed light on any biological effects. Therapeutic efficacy is determined in Phase III on large groups of patients, sometimes in comparison with a reference treatment.

Consolidation treatment

Treatment to prevent relapses. The control of residual disease is the objective of consolidation therapies. For many cancers, the patients' survival depends on the efficacy of the consolidation treatment. Immunotherapies are primarily positioned as consolidation treatment.

Conventional T lymphocyte

A conventional T lymphocyte specifically recognizes the complex formed by an antigen bound to an MHC molecule, through a dedicated receptor, the T lymphocyte antigen receptor (alpha beta TCR). Some T lymphocytes have the ability to destroy target cells (cytotoxic T lymphocytes), whereas others play a role in regulating the immune system. Conventional lymphocytes are the support behind

	immunological memory: successive exposure to a same antigen triggers immune responses with increasing intensity. This immune response, called an "adaptive immune response", is the basis of vaccination.
Effector cells	Immune system cells that are able to kill a recognized target cell. More generally, the immune system may be analyzed as the coupling of recognition abilities involving dedicated receptors (such as antibodies or T cell antigen receptors) and effector mechanisms resulting in the elimination of the recognized element. The main effector mechanisms are cell lysis, involving killer cells (cytotoxic cells) and antibody-dependent mechanisms. NK cells are typically effector cells.
EMEA (European Agency for the Evaluation of Medicinal Products)	European regulatory agency responsible for evaluating applications for marketing authorization under a centralized procedure. The EMEA coordinates with national agencies in application of the principle of subsidiarity. The pharmaceutical industry is in direct contact with the EMEA for the development of orphan drugs.
FDA (Food and Drug Administration)	This U.S. agency monitors clinical trials and issues marketing authorizations.
First-in-class	A drug class is a set of drugs with the same mechanism of action, generally targeting the same receptor. In this context, a "first-in-class" drug is a drug using a new mechanism of action or targeting a new receptor, as opposed to a "best-in-class" drug, which is the drug with the best benefit/risk ratio in an existing class.
First-line treatment	Treatment applied upon diagnosis of tumor.
GCP	Good Clinical Practices (Bonnes Pratiques Cliniques). Set of French standards applying to clinical trials in humans, aimed at ensuring the safety of patients included in the trials as well as the quality of the information gathered during such trials.
GLP	Good Laboratory Practices (Bonnes Pratiques de Laboratoire). Set of French standards applying to trials carried out in a laboratory during the development of a drug candidate. These standards notably apply to trials implemented for controlling drugs and verifying whether the specifications defined are met (quality control), as well as to preclinical trials carried out to evaluate product safety. The international GLP system and the recommendations from the International Conference on Harmonization (ICH) common to the United States, Europe and Japan are also referred to.
Immune response	In the presence of an antigen, specialized immune system cells with a receptor specific to this antigen on their surface are activated and proliferate, and some acquire the ability to eliminate the antigen. All of these molecule and cell events constitute the immune response. The response process is precisely regulated and involves many cell types.
Immune system	All the biological mechanisms allowing an organism to recognize and tolerate what belongs to itself ("the self") and to reject what is foreign to it (the "non-self"): foreign substances or infectious agents to which it is exposed, but also its own components that have been altered (such as tumor cells).
Informed consent	According to the legislative provisions applicable in France, any patient involved in a clinical trial should be informed of the objective, methodology and duration of the research, and also of the expected benefits and predictable constraints and risks associated with the administration of products undergoing the clinical trials. The information supplied is summarized in a written document that is given to the patient prior to any experimental treatment. Patients sign an informed consent

document stating their willingness to take part in the trial after having received this information.

Innate immunity

Innate immune responses are not affected by prior exposure to the antigen: innate immunity is characterized by a lack of memory. Unconventional lymphocytes are part of innate immunity, as opposed to conventional lymphocytes which are the support behind immunological memory.

Intermediate marker ("Surrogate marker")

A measurable biological parameter whose quantitative variations are considered to have predictive value in relation to the expected therapeutic effect. In oncology, the measurement of tumor mass is frequently used as an intermediate marker of therapeutic efficacy.

ISO 9001

International standard reference system applicable to quality management within an organization, stressing constant improvement of the processes constituting the activity of the organization. The ISO 9001 standard notably applies to organizations with research and development activities. Compliance with this standard reference system is certified by an independent agency.

Lymphocytes

Immune system cells with a receptor for the antigen. Lymphocytes are present in blood and the lymphoid organs (spleen, lymph nodes) and can infiltrate tumors in the event of an effective anti-tumor response. B lymphocytes produce soluble proteins binding to the antigen called an antibody (humoral immunity). T lymphocytes are able to destroy cell targets directly (cell immunity). Unconventional lymphocytes constitute a compartment of cell immunity defined by a special antigen recognition method.

MHC (Major Histocompatibility Complex)

Group of molecules involved in antigen recognition by conventional T lymphocytes. MHC molecules are present at the surface of nearly all the cells of the organism. These molecules have large variations from one individual to another, and partly define the "immunological identity" of each individual by controlling the repertoire of T antigens recognized by each one. Unconventional lymphocytes are not subject to this control and can recognize MHC-deficient cells (see "missing self"). In advanced stages of the disease, tumors often lose the expression of MHC molecules, thereby escaping elimination by conventional T lymphocytes, although remaining sensitive to unconventional lymphocytes.

Missing self

Unconventional lymphocytes express inhibitor receptors for MHC molecules that are able to block the antigen activation effect. Thus, responses harmful to the organism that would be directed against "self" cells are usually restricted, in the absence of strong stimulation. When the MHC is not expressed ("missing self"), unconventional lymphocytes are activated. Normal MHC expression can be counteracted by the powerful activator signals provided by antigen recognition. This mechanism is very important for controlling the activity of NK cells, which are highly capable of destroying their targets. The "missing self" was discovered by Klas Karre and Alessandro and Lorenzo Moretta, who received the Yvette Mayent - Institut Curie prize in June 2001 for their work. Most conventional lymphocytes are not subject to this type of control by inhibitor receptors.

Mutagenic

Exposure to a mutagenic (or genotoxic) product is likely to result in alterations of the genetic material (mutations) which may lead to cancers (carcinogenesis) or congenital malformations (teratogenicity).

NCE ("New Chemical Entity")	New synthetic organic molecule developed for pharmaceutical use.
NK cells	NK ("Natural Killer") cells are special unconventional lymphocytes found in large amounts in blood (up to 10% of the circulating lymphocytes). NKs have a remarkable ability to kill a wide variety of tumor targets very effectively. Tumor targets are recognized through the antibodies bound to the surface of malignant cells or through specialized receptors, NCRs (Natural Cytotoxicity Receptors), recently discovered by Alessandro Moretta *et al.* As A. Moretta, K. Karre *et al.* have also shown, NKs are subject to special regulation (see "missing self") inhibiting responses directed against the "self's" molecules.
Occurrence	Number of new cases diagnosed over one year for a given pathology.
Orphan drug	Status granted by the EMEA or the FDA to a drug developed for a rare disease, whose occurrence or prevalence is below certain thresholds defined by the regulatory authorities. This status enables a drug candidate to benefit from advantages such as temporary commercial exclusivity, exemptions from registration fees or technical/regulatory advice from the agencies.
Pharmacokinetics	Study of what happens to a molecule in the organism, including its absorption, metabolization and elimination. Pharmacokinetic studies in animals, then in humans, are used to develop quantitative models describing these various steps according to the time elapsed and physiological parameters to determine the method of administration and the dosage to be used at a clinical level to obtain the desired therapeutic effect from the drug candidate.
Pharmacology	Scientific discipline central to the discovery and development of drugs that investigates active ingredients' mechanism of action on the organism. During the development of a drug candidate, non-clinical pharmacology studies relate to the description of the mechanism of action at cellular and molecular levels, and clinical pharmacology studies aim at demonstrating the relationships between the mechanism of action and the expected therapeutic effect or the possible toxic effects on patients.
Potentiate	To give something more power, more efficacy (a drug, notably).
Preclinical development	Studies carried out on a drug candidate to evaluate its toxicity and efficacy before its first administration to humans.
Prevalence	Number of patients with a given pathology.
Proof of concept	In Company jargon, proof of concept is the first indication of the clinical efficacy of a drug candidate obtained during a clinical trial initiated by the Company.
Randomized study	Clinical study in which patients are divided into several groups receiving different treatments according to a statistical procedure that is intended to ensure that there is no bias in the recruitment of the different groups. The effects of several dosage levels of a drug candidate can thus be tested and treatment with the drug candidate being studied can be compared to a reference treatment. Efficacy data, which serve as a reference for the registration of a new product, are usually produced in random studies.
Receptor	Molecule expressed on the surface of a cell allowing it to communicate with its environment. Each receptor is able to establish a specific contact with another membrane or soluble molecule (ligand), and then to deliver a signal inside the cell

that will be followed by biological effects. For example, binding of an antigen to a T-cell antigen receptor results in the division and proliferation of the T lymphocyte under certain conditions.

Residual disease

Malignant cells found in patients in remission after the primary tumor has been eliminated (by surgery, radiotherapy or chemotherapy). Residual disease is at the origin of disease propagation (metastases) and the development of new tumor foci (secondary tumors).

Second-line treatment

Treatment applied if the first-line treatment fails or in case of relapse.

Unconventional lymphocytes

Unconventional lymphocytes constitute a specific cell compartment of the immune system. Antigen recognition by unconventional lymphocytes does not involve MHC, and thus works in the same way for each individual, making pharmacological manipulation of these cells feasible.

Unlike conventional lymphocytes, which recognize a single structure, unconventional lymphocytes recognize a wide range of structurally related target antigens. In blood, unconventional lymphocytes (NK, γδ and NKT cells) account for 5 to 10% of circulating lymphocytes and a significant fraction of these cells can be simultaneously involved in the response to a given antigen, whereas the frequency of conventional T lymphocytes recognizing a given antigen rarely exceeds 0.01%. From a functional point of view, unconventional lymphocytes can be immediately mobilized for an immune response, with an ability to eliminate target tumors that is similar to or even greater than that of cytotoxic T lymphocytes. In addition, these cells initiate and coordinate conventional immune responses by producing many soluble mediators, thus being involved in vaccination, autoimmune pathologies and allergies. The Company is developing innovative therapeutic products based on the manipulation of unconventional lymphocytes.

Validation

In Company jargon, indirect validation is validation provided prior to the clinical development of a drug candidate by clinical studies demonstrating the efficacy of its mechanism of action in an indication or group of indications. This may notably include retrospective clinical biology studies or a clinical trial of cell therapy. Preclinical efficacy studies, notably in animal models, may also provide elements of direct preclinical validation for a drug candidate.