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FINANCIAL STATEMENTS PREPARED UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN FRANCE AS AT DECEMBER 31, 2013

Balance Sheet
(in thousands of euros)

		As at December 31,	
	Note	**2013**	**2012**
Assets			
Non-current assets			
Intangible assets	3	82	47
Buildings	4	50	57
Property and equipment	4	1,084	1,032
Other tangible fixed assets	4	295	436
Financial assets	5	734	990
Total non-current assets		**2,246**	**2,563**
Current assets			
Trade accounts receivables	6	1,993	2,632
Other receivables	7	5,867	5,552
Marketable securities	8	2,989	2,032
Cash and cash equivalent	8	38,332	30,548
Total current assets		**49,180**	**40,764**
Adjustment accounts			
Prepaid expenses	9	767	1,423
Total adjustment accounts		**767**	**1,423**
Total assets		**52,192**	**44,750**

Balance Sheet
(in thousands of euros)

	Note	As at December 31 2013	2012
Liabilities			
Shareholders' equity			
Share capital	10	2,287	1,897
Share premium	10	121,654	102,687
Retained earnings		(81,163)	(77,458)
Net income (loss)		(3,253)	(3,705)
Tax regulated provisions	12	261	158
Total shareholders' equity		**39,787**	**23,579**
Provisions			
Provisions for contingencies and losses	12	-	-
Pensions and similar obligations	12	789	643
Total provisions		**789**	**643**
Liabilities			
Borrowings	13	1,630	749
Trade notes payable	14	5,138	4,667
Tax and social liabilities	15	2,092	1,681
Other liabilities		173	172
Deferred income	16	2,583	13,259
Total liabilities		**11,616**	**20,528**
Total liabilities		**52,192**	**44,750**

Income Statement
(In thousands of euros)

	Note	Year ended December 31, 2013	2012
Revenue	16	12,469	10,377
Operating grants	11	-	383
Reversal of provisions, transfer of charges	12	36	46
Other income		1	55
Total operating income		**12,506**	**10,861**
Purchases of raw materials and other supplies	17	(1,787)	(1,400)
Other purchases and external expenses	18	(10,311)	(9,793)
Taxes		(207)	(173)
Salaries	19	(4,644)	(4,228)
Social charges	19	(2,302)	(2,158)
Depreciation and amortization expense	20	(375)	(277)
Change in provisions for contingencies and liabilities	12	(146)	(262)
Other expenses		(150)	(147)
Total operating expenses		**(19,922)**	**(18,437)**
Operating income (loss)		**(7,416)**	**(7,576)**
Financial income / (expense), net	21	64	466
Result before tax and exceptional items		**(7,352)**	**(7,110)**
Exceptional income / (expense), net	22	(83)	(117)
Research tax credit	23	4,182	3,522
Net income (loss)		**(3,253)**	**(3,705)**

Statement of cash flows
(In thousands of euros)

		Year ended December 31	
	Note	**2013**	**2012**
Cash flow from operating activities			
Net income (loss)		(3,253)	(3,705)
Adjustments to reconcile net loss to net cash from operating			
Depreciation and amortization on fixed assets	20	375	277
Increase / (reversal) of provision and excess of tax depreciation	12	250	790
Depreciation on financial non-current assets	5	421	-
Gain / (loss) on the disposal of assets		2	3
Changes in working capital		(8,813)	(8,209)
Debt write-off	5	79	-
Interests on assets and other financial assets		(558)	(814)
Net interests paid		(50)	(56)
Foreign exchange (gain) / loss on bank account denominated in USD		-	(7)
Net cash from / (used in) operating activities		**(11,547)**	**(11,722)**
Cash flow from investing activities			
Acquisition of fixed assets	3,4	(433)	(1,225)
Disposal of fixed assets		116	-
Increase in intercompany accounts		(120)	-
Variance of financial assets		(154)	(242)
Interests on assets and other financial assets		558	814
Net cash from / (used in) investing activities		**(33)**	**(653)**
Cash flow from financing activities			
Proceeds from the exercice / subscription of equity instruments	10	423	-
Net proceeds from issuance of share capital	10	18,934	-
Increase in financial liabilities	13	1,500	-
Repayment of financial liabilities	13	(619)	(1,669)
Net interests paid		50	56
Shares buy-back	5	31	-
Net cash from / (used in) financing activities		**20,319**	**(1,613)**
FX gain / (loss) on treasury		-	7
Variance of treasury		**8,740**	**(13,981)**
Opening treasury		32,580	46,561
Closing treasury		41,320	32,580
Including:			
Cash and cash equivalents		38,332	30,548
Marketable securities		2,989	2,032
Total		**41,320**	**3,580**

Statement of changes in Shareholders' Equity
(In thousands of euros)

	Number of shares	Share capital	Share premium	Retained earnings	Other reserves	Net loss	Tax regulated provisions	Total shareholders' equity
Balance as at December 31, 2011	**37,687**	**1,884**	**102,687**	**(69,076)**	**12**	**(8,382)**	**46**	**27,172**
Net loss appropriation 2011	-	-	-	(8,382)	-	8,382	-	-
Net loss 2012	-	-	-	-	-	(3,705)	-	(3 705)
Free shares	249	12	-	-	(12)	-	-	-
Excess of tax depreciation, net	-	-	-	-	-	-	112	112
Balance as at December 31, 2012	**37,936**	**1,897**	**102,687**	**(77,458)**	**-**	**(3,705)**	**158**	**23,579**
Net loss appropriation 2012	-	-	-	(3,705)	-	3,705	-	-
Net loss 2013	-	-	-	-	-	(3,253)	-	(3,253)
Directoire 24th May 2013 – Exercice BSA 2007	200	10	394	-	-	-	-	404
Directoire 27th May 2013 – Subscription BSAAR 2012	-	-	16	-	-	-	-	16
Directoire 17th July 2013 – Subscription BSA 2013	-	-	2	-	-	-	-	2
Directoire 18th September 2013 – Subscription BSA 2013-1	-	-	1	-	-	-	-	1
Directoire 20th November 2013 - Capital increase 2013	7,600	380	18,554	-	-	-	-	18,934
Excess of tax depreciation, net	-	-	-	-	-	-	103	103
Balance as at December 31, 2013	**45,736**	**2,287**	**121,654**	**(81,163)**	**-**	**(3,253)**	**261**	**39,787**

Notes to the Financial Statements

1) Events with a financial impact in the year
2) Accounting policies
3) Intangible assets
4) Buildings, property and equipment
5) Financial assets
6) Trade accounts receivables
7) Other receivables
8) Cash, cash equivalents and marketable securities
9) Prepaid expenses
10) Share capital
11) Conditional grants, grants and government financing provisions
12) Provisions
13) Borrowings
14) Trade notes payable
15) Tax and social liabilities
16) Revenue and deferred income
17) Purchases of raw materials and other supplies
18) Other purchases and external expenses
19) Personnel costs
20) Depreciation expense and impairment of fixed assets
21) Financial income / (expense), net
22) Exceptional income and expense, net
23) Income tax
24) Commitments
25) Litigation
26) Individual training right (DIF)
27) Post balance sheet events

1) Events with a financial impact in the year

The circumstances that affect the comparability of the amounts reported for the periods presented are essentially those described below.

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», the accounting decree of November 29, 1983 as well as the CRC regulations n° 2000-06, n° 2004-06 and n° 2002-10 relating to the 2005 revised French accounting framework (*Plan Comptable Général* or “PCG”).

b) Changes in accounting principle and policies

No changes in accounting principles and policies were applied in the year ended December 31, 2013.

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.

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 and improvements on buildings	10 years
Technical installations and equipment	8 years
Equipment and office furniture	5 years
Computer equipment	3 years

The useful life of the technical installations and equipment was increased from 5 to 8 years during fiscal year 2012, which is more consistent with the economic life of this tyupe of assets.*d2) Tax related depreciation*

A tax depreciation is recorded for equipment used for research activities. For the acquisitions made between January 1, 2004 and December 31, 2013, the Company has opted for the application of the increased reducing balance coefficient.

In accordance with French accounting principles, the tax benefit calculated as the excess of the tax depreciation over the econom1ic 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
- 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 as of January 1, 2005, the research works isare accounted for as expenses whenexpensed 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 research and development 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 assets

Financial assets are mainly composed of the shares in of the subsidiaries and the ownedtreasury shares.

Shares of the subsidiaries are valued at their acquisition cost. At year end, this value is compared to the fair value taking into account the share in equity corresponding to the participation investment and perspective of profitability outlook. An impairment loss depreciation is booked recorded when the fair value is lower than the acquisition cost. *g) Cash, cash equivalents and marketable securities*

Cash includes petty cash and any assets that, which by nature can be immediately converted into cash at their nominal value.

Marketable securities 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.

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.

Research tax credits are provided by the French government to encourage companies to perform technical and scientific research. Companies that can justify that these expenses meet the required criteria (research expenses generated in France, or since January 1, 2005, in the European Union, or in another State having signed the agreement on the European Economic Area and a tax agreement with France containing an administrative assistance clause) receive 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. It is reimbursed if not used at the end of this three-year period. The Company has benefited from a research tax credit since its first fiscal year.

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
- The grants will be received.

Government grants are usually comprised composed of a mandatory redeemable portion, presented in borrowings, and a portion redeemable in the case of technical or commercial success, presented in conditional grants. Conditional grants are presented under "Other equity" in the balance sheet.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. 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 research and development expenses, as well as the payment of royalties on future sales of products.

Technology access fees are recognized as income when the Company has no remaining obligations to perform after signing the contract. 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 research and development 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.

When the payments received are subject to a cancellation clause, the revenue is accounted for and a provision for risks is recorded for the same amount.

The Company records a provision for impairment in the case where the recoverability of the invoiced amounts appears uncertain.

Turnover is also composed of intra-group invoicing following various agreements ruling working relationships among the companies composing the group.

3) Intangible assets

Intangible assets can be analyzed as follows (in thousands of euros):

	Software	**Patents**	**Goodwill**	**Total**
Year ended December 31, 2013				
Net opening balance	**44**	-	**3**	**47**
Acquisitions	85	-	-	85
Disposals	(1)	-	-	(1)
Transfers	19	-	-	19
Amortization and impairment	(68)	-	-	(68)
Net closing balance	**79**	-	**3**	**82**

4) Buildings, property and equipment

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

	Buildings	Machinery and equipment	Other tangible assets	Total
Year ended December 31, 2013				
Net opening balance	**57**	**1,032**	**436**	**1,526**
Acquisitions	-	191	157	348
Disposals	-	(116)	(3)	(119)
Transfers	-	178	(197)	(19)
Depreciation	(7)	(201)	(99)	(307)
Net closing balance	**50**	**1,084**	**295**	**1,430**

5) Financial assets

	Investments	Amount owed to the subsidiary undertakings	Own shares	Other financial assets	Total
Year ended December 31, 2013					
Net opening balance	**233**	**418**	**188**	**151**	**990**
Acquisitions	339	120	-	153	612
Disposals	-	(339)	(31)	-	(370)
Debt write-off	-	(79)	-	-	(79)
Depreciations	(419)	(1)	-	-	(420)
Net closing balance	**153**	**120**	**157**	**304**	**734**

At December 31, 2013, financial assets are composed of the following elements: shares and relating debt of Platine Pharma Services (272 thousand euros), own shares (157 thousand euros) , cash on the current account of the liquidity contract (302 thousand euros) and deposits (3 thousand euros).

An impairment test was performed in January 2014 to compare the net book value of the shares and the current account of Platine Pharma Services to their recoverable value. The recoverable value has been determined on the basis of a letter of intent addressed to the present shareholders of Platine Pharma Services by an entity which aims to acquire an equity interest in the company. The impairment test resulted in an impairment charge amounting to 420 thousand euros being recorded to bring down the net book value of the shares and current account to a valuation of 272 thousand euros.

6) Trade accounts receivables

At December 31, 2013, the item line is only composed of receivables due from Bristol-Myers Squibb corresponding to the reinvoicing of the external costs for the licensed programs.

7) Other receivables

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

	As at December 31,	
	2013	**2012**
Other receivables - short term	5,070	4,632
Other receivables - long term	797	920
Total	**5,867**	**5,552**

The components of the short-term receivables are analyzed as follows (in thousands of euros):

	As at December 31,	
	2013	**2012**
2013 Research tax credit	4,167	-
2012 Research tax credit	-	3,771
VAT refund	373	372
Deductible VAT	119	140
Grants	32	128
Down-payment to SOGEBAIL	123	118
Advances and down-payments to suppliers	179	68
Other receivables	77	35
Other receivables - short term	**5,070**	**4,632**

At the beginning of 2014, the Company has asked for immediate refund payment of its research tax credit balance receivable for 2013. It has therefore was been presented as under current receivables.The components of the other long-term receivables are analyzed as follows (in thousands of euros):

	As at December 31,	
	2013	**2012**
Down-payment to SOGEBAIL	797	920
Other receivables - long terms	**797**	**920**

8) Cash, cash equivalents and marketable securities

At December 31, 2013, the item line is composed of current accounts, remunerated interest-bearing accounts, fixed-term accounts and money market funds ("SICAV") subscribed towards with several banks.

	As at December 31,	
	2013	**2012**
Current bank accounts	25,265	8,427
Fixed term accounts	13,066	22,121
Marketable securities	2,989	2,032
Total cash, cash equivalents and marketable securities	**41,320**	**32,580**

9) Prepaid expenses

Prepaid expenses can be analyzed as follows (in thousands of euros):

	As at December 31,	
	2013	**2012**
Prepaid research materials and consumables not yet used in research	538	1,097
Other prepaid expenses	229	326
Total prepaid expenses	**767**	**1,423**

10) Share capital

As at December 31, 2012 and 2013 the breakdown of share capital can be analyzed as follows (number of shares with a par value of 0.05 euro (in thousands of shares):

	At December 31,	
	2013	**2012**
Common shares, opening	45,736	37,936
Common shares, closing	**45,736**	**37,936**

Details of changes in share capital over the periods presented are further analyzed below:

On March 12th, 2007, subsequent to the exercise of various company founders warrants in January and February 2007, the Executive Board recognized a capital increase of 6,425 euros (128,500 new shares), bringing the share capital to 1,255,564.20 euros.

On June 1st, 2007, subsequent to the exercise of various company founders warrants in April and May 2007, the Executive Board recognized a capital increase of 2,710 euros (54,200 new shares), bringing the share capital to 1,258,274.20 euros.

On January 22, 2008, subsequent to the exercise of options in July and December 2007, the Executive Board recognized a capital increase of 238.75 euros (4,775 new shares), bringing the share capital to 1,258,512.95 euros at December 31, 2007.

On April 30, 2008, subsequent to the acquisition of free shares distributed in 2006, the Executive Board minuted a capital increase of 37,100 euros(742,000 new shares), bringing the share capital to 1,295,612.95 euros at December 31, 2008.

On December 23, 2009, following a capital increase authorized by resolutions 18 and 19 voted in the General Meeting of shareholders dated June 23, 2009, the Executive Board minuted a capital increase of 536,226.75 euros (10,724,535 new shares), increasing the share capital to 1,831,839.70 euros. The gross proceeds of the capital increase were 24.3 million euros. The net proceeds were 23.1 million euros.

On March 26, 2010, following the definitive acquisition of free shares distributed in 2008, the Executive Board minuted a capital increase of 52,157 euros (1,043,140 new shares), increasing the share capital to 1,883,996.70 euros.

On May 5, 2010, following the definitive acquisition of free shares distributed in 2008, the Executive Board minuted a capital increase of 343 euros (6,860 new shares), increasing the share capital to 1,884,339.70 euros.

On July 3rd, 2012, subsequent to the acquisition of free shares distributed in 2008, the Executive Board minuted a capital increase of 12,455 euros (249,100 new shares), bringing the share capital to 1,896,794.70 euros at July 1st, 2012.

On May 24, 2013, subsequent to the exercise of the overall BSA 2007,the Executive Board minuted a capital increase of 9,999.9 euros (199,998 new shares), bringing the share capital to 1,906,794.6 euros at May 17th, 2013. The exercise price received by the Company was recorded as share capital for 10 thousand euros and issue premium for 394 thousand euros.

On November 25th, 2013, subsequent to a "private placement" operation as described in Article L. 411-2 II of the French Monetary and Financial Code, in accordance with the use of delegations granted by the 20th Resolution as voted by the shareholders on June 28, 2013, the Executive Board minuted a capital increase of 380,000 euros (7,600,000.00 new shares), bringing the share capital to 2,286,794.6 euros. The gross proceeds of the capital increase were 20.3 million euros and the net proceeds were 18.9 million euros. This led to an increase in the issue premium of 18,554 thousand euros

Warrants and stock option plans

Operations on warrants ("BSA"), company founders' warrants ("BSPCE") and stock-options during the periods presented were as follows:

	BSPCE	BSA	Stock-options	BSAAR
Opening balance – September 23, 1999	**—**	**—**	**—**	**—**
Issued warrants and options – April 28, 2000	18,750	—	—	—
Balance as at December 31, 2000	**18,750**	**—**	**—**	**—**
Issued warrants and options – December 22, 2001	—	15,500	—	—
Balance as at December 31, 2001	**18,750**	**15,500**	**—**	**—**
Issued warrants and options – May 15, 2002	12,750	—	—	—
Balance as at December 31, 2002	**31,500**	**15,500**	**—**	**—**
Issued warrants and options – July 3, 2003	—	3,000	28,500	—
Cancelled warrants and options - 2003	(1,500)	—	—	—
Balance as at December 31, 2003	**30,000**	**18,500**	**28,500**	—
Cancelled warrants and options - 2004	(250)	—	(5,250)	—
Exercised warrants and options - 2004	(18,750)	—	—	—
Balance as at December 31, 2004	**11,000**	**18,500**	**23,250**	**—**
Issued options – June 13, 2005	—	—	25,000	—
Balance as at December 31, 2005	**11,000**	**18,500**	**48,250**	**—**
Cancelled warrants and options - 2006	—	—	(4,050)	—
Exercised warrants and options - 2006	(1,865)	(15,500)	(150)	—
Balance as at December 31, 2006	**9,135**	**3,000**	**44,050**	—
Cancelled warrants and options - 2007	—	—	(121.25)	—
Exercised warrants and options - 2007	(9,135)	—	(238.75)	—
Balance as at December 31, 2007	—	**3,000**	**43,690**	**—**
Cancelled warrants and options - 2008	—	(3,000)	(400)	—
Issued warrants and options – March 28, 2008	—	199,998	—	—
Balance as at December 31, 2008	—	**199,998**	**43,290**	—
Cancelled warrants and options - 2009	—	—	(2,300)	—
Issued warrants and options – January 19, 2009	—	35,000	—	—
Balance as at December 31, 2009	—	**234,998**	**40,990**	**—**
Cancelled warrants and options - 2010	—	—	(14,200)	—
Issued warrants and options – June 18, 2010	—	—	—	100,000
Balance as at December 31, 2010	—	**234,998**	**26,790**	**100,000**
Cancelled warrants and options - 2011	**—**	**—**	(1 100)	—
Issued warrants– July 29, 2011	—	325 000	—	—
Issued warrants– Sept. 9, 2011	—	**—**	—	650 000
Balance as at December 31, 2011	—	**559,998**	**25,690**	**750,000**
Cancelled warrants and options -2012	-	-	-	-
Issued warrants and options -2012	-	-	-	-
Balance as at December 31, 2012		**559 998**	**25 690**	**750 000**
Cancelled warrants and options - 2013	—		(12,690)[1]	
Exercised warrants and options - 2013	—	199,998	(500)[2]	(17,250)[2]
BSAAR attributed on May 27, 2013	—			146,050
BSA attributed on July 17, 2013	—	237,500		
BSA attributed on September 18, 2013	—	500		
Balance as at December 31, 2013	—	**647,500**	**12,500**	**878,800**

1 Stock-options 2003 expired on June 30, 2013

2 Stock-options and BSAAR exercised in December 2013 will be minuted by the Executive Board on February 10, 2014

Each stock-option issued gives the right to subscribe to twenty new common shares, taking into account the twenty for one share split on March 29, 2006. As at December 31, 2013, the 12,500 stock-options outstanding gave rights to subscribe to 250,000 new common shares with a nominal value of 0.05 euros per share.

The circulating BSA as at December 31, 2013, gave right to subscribe to 647,500 new common share with a nominal value of 0.05 euros per share.

As at December 31, 2013, the circulating BSAAR gave right to subscribe to 878,800 new common shares with a nominal value of 0.05 euros per share.

As at December 31, 2013, the circulating BSA, BSAAR and stock-options gave right to subscribe to 1,776,300 new common shares with a nominal value of 0.05 euros per share representing 3,88% of the capital.

As of July 1, 2003, the General Meeting of shareholders authorized the issuance of 3,000 BSA_{2003} and 28,500 Stock-$Options_{2003}$. The BSA_{2003} were allocated to a current member of the Company's Supervisory Board and the Stock-$Options_{2003}$ were allocated to employees by the “Comité de Direction” on July 1, 2003. Following the expiration of the exercise period of the BSA_{2003} on July 1, 2008, the latter were cancelled. Following the expiry of the exercise period of the Stock-options 2003, on June 30^{th}, 2013, 12,690 Stock-$Options_{2003}$ representing 253,800 common shares were cancelled.

On July 22, 2004, the General Meeting of shareholders authorized the issuance of 25,000 Stock-$Options_{2004}$. The Stock-$Options_{2004}$ were allocated to employees by the “Comité de Direction” on June 30, 2005. Following the exercise of 500 Stock-$Options_{2004}$, 12,500 Stock-$Options_{2004}$ remained as at December 31, 2013, which can be exercised and represent 250,000 common shares.

On June 26, 2007, the General Meeting of shareholders authorized the issuance of 200,000 new warrants giving right to subscribe to 200,000 new common shares (“BSA_{2007}”). 199,998 of these BSA_{2007} were allocated to independent members of the Supervisory Board and to members of the Scientific Advisory Board by the Executive Board on March 25, 2008. All These warrants were exercised by their beneficiaries and this was minuted by the Executive Board of May 24, 2013.

On June 27, 2008, the General Meeting of shareholders authorized the issuance of 240,000 new warrants giving right to subscribe to 240,000 new common shares (“BSA_{2008}”). 35,000 of these BSA_{2008} were allocated to an independent member of the Supervisory Board by the Executive Board on January 19, 2009.

On June 23, 2009, the General Meeting of shareholders authorized the issuance of 100,000 redeemable share subscription and/or acquisition warrants giving right to subscribe to 100,000 new common shares (“BSAARs”). All of these BSAARs were allocated by the Executive Board on June 18, 2010. The BSAARs give right to the subscription of 100,000 common shares at the price of 2.34 euros per share. Following the exercise of certain BSAARs, 85,000 BSAAR remained which can be exercised and represent 85,000 common shares.

On June 29, 2011, the General Meeting of shareholders authorized the issuance of 350,000 new subscription warrants giving right to subscribe to 350,000 new common shares. 325,000 warrants including 100,000 BSA 2011-1 and 225,000 BSA 2011-2 were allocated to independent members of the Supervisory Board, to members of the Scientific Advisory Board and to consultants, by the Executive Board on July 29, 2011.

On June 29, 2011, the General Meeting of shareholders authorized the issuance of 1,000,000 redeemable share subscription and/or acquisition warrants giving right to subscribe to 1,000,000 new common shares (“BSAARs”). On January 11, 2012 the Executive Board minuted the subscription of 650,000 redeemeable warrants, which may give rise to the issue of 650,000 new shares.

On June 28, 2012, the General Meeting of shareholders authorized the issuance of 200,000 redeemable share subscription and/or acquisition warrants (“BSAAR 2012”) giving right to subscribe to 200,000 new common shares.

On July 3rd, 2013, the Executive Board minuted the subscription of 146,050 BSAAR 2012, which may give rise to the issue of 146,050 new common shares. The subscription price received by the Company was recorded as an issue premium for 16 thousand euros.

On December 31, 2013 following the exercise of certain BSAAR 2012, there remained 143,800 BSAAR 2012 exercisable representing a total of 143,800 common shares.

On June 28, 2013, the General Meeting of shareholders authorized the issuance of 300,000 warrants (BSA) giving right to subscribe to 300,000 new shares.

The Executive board of July 17, 2013, after authorization by the Supervisory board, allocated 237,500 BSA ("BSA 2013") to a new independent Supervisory board member, to consultants and to member of the Scientific advisory board.

62,500 BSA remained not allocated out of the 300,000 warrants authorized by the General Meeting of shareholders.

The Executive Board of September 18, 2013 upon the authorization of the Supervisory board, allocated 50,000 BSA ("BSA 2013-1") to a consultant of the Company. The subscription price received by the Company was recorded as an issue premium respectively for 2 thousand and 1 thousand euros.

Free shares

On March 29, 2006, the General Meeting of shareholders authorized the issuance of 800,000 free shares (the "Free Shares$_{2006}$"). 751,000 of these Free Shares$_{2006}$ were granted to employees by the Executive Board on April 24, 2006. The Free Shares$_{2006}$ were fully vested on April 24, 2008. Following the resignation of some employees during the vesting period, and in accordance with the free share plan, some of the Free Shares$_{2006}$ were cancelled and 742,000 new common shares were issued at the end of the vesting period. A corresponding capital increase was minuted by the Executive Board on April 30, 2008.

On June 26, 2007, the General Meeting of shareholders authorized the issuance of 1,300,000 free shares (the "Free Shares$_{2007}$"). 1,050,690 of these Free Shares$_{2007}$ were granted to employees by the Executive Board on March 25, 2008. Following the resignation of some employees, 6,800 Free Shares$_{2007}$ were reverted back into the plan in April. 6,860 Free Shares$_{2007}$ were granted to employees by the Executive Board on April 30, 2008. Following the resignation of an employee, 750 Free Shares$_{2007}$ expired. On March 26, 2010, the Executive Board minuted the acquisition of 1,043,140 Free Shares$_{2007}$ out of the 1,050,690 of these Free Shares$_{2007.}$ A corresponding capital increase was minuted by the Executive Board the same day. On May 5, 2010, the Executive Board minuted the definitive acquisition of 6,680 Free Shares on the 1,300,000 authorized Free Shares. A corresponding capital increase was minuted by the Executive Board on May 5, 2010.

On June 26, 2008, 249,250 Free Shares$_{2007}$ not yet allocated were cancelled by the General Meeting of shareholders, which in turn decide to authorize the issuance of 250,000 Free Shares$_{2008.}$ 249,100 of these Free Shares$_{2008}$ were allocated to employees by the Executive Board on July 1, 2008. On July 3rd, 2012, subsequent to the acquisition of free shares distributed in 2008, the Executive Board minuted a capital increase of 12,455 euros (249,100 new shares), and the corresponding capital increase. From December 31, 2013, there are no more Free Shares to be distributed or to be definitively acquired.

Movements on free shares can be further analyzed as follows:

Number of shares	Free shares 2006	Free shares 2007	Free shares 2008	Total
Authorization of issuing free shares	800,000	1,300,000	250,000	
Free shares distributed	751,000	-	-	-
Free shares expired	-	-	-	-
Free shares definitely acquired	-	-	-	-
Balance as at December 31, 2007	**751,000**	**-**	**-**	**751,000**
Free shares distributed	-	1,050,690	249,100	1,299,790
Free shares reverted to the plan following the departure of employees	-	(6,800)	-	(6,800)
Free shares reallocated	-	6,860	-	6,860
Free shares expired	(9,000)	(750)	-	(9,750)
Free shares definitely acquired	(742,000)	-	-	(742,000)
Balance as at December 31, 2008	**-**	**1,050,000**	**249,100**	**1,299,100**
Free shares expired	-	-	-	-
Free shares definitely acquired	-	-	-	-
Balance as at December 31, 2009	**-**	**1,050,000**	**249,100**	**1,299,100**
Free shares expired	-	-	-	-
Free shares definitely acquired	-	(1,050,000)	-	(1,050,000)
Balance as at December 31, 2010	**-**	**-**	**249,100**	**249,100**
Free shares expired	-	-	-	-
Free shares definitely acquired	-	-	-	-
Balance as at December 31, 2011	**-**	**-**	**249,100**	**249,100**
Free shares expired	-	-	-	-
Free shares definitely acquired	-	-	(249 100)	(249 100)
Balance as at December 31, 2012	**-**	**-**	**-**	**-**

11) Conditional grants, grants and government financing

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

- Conditional grants;
- Investment and operating grants; and
- Research tax credits.

Conditional grants

Conditional grants and loans from state organizations are composed of several contracts and various additional clauses that the Company signed with BPI France (ex-Oséo).

Since Oséo enacted the completion of the programs pertaining to the ADI and EUREKA conditional grants in 2006, all of these grants were booked as borrowings at December 31, 2006 (see Note 13).

Grants from local government organizations

Since the Company was first created and due to the innovative nature of its operations, it has received several grants and grants from the government or state organizations intended to finance its operations or the recruitment of certain employees.

Contrary to conditional grants:

- the Company has the assurance of conforming to the conditions attached to the grants, and
- the Company is not required to repay these grants.

These grants were booked in the period that the corresponding expenses were incurred.

Research tax credits

Research tax credits are described in Note 23.

12) Provisions

Provisions and the variation in provisions can be analyzed as follows (in thousands of euros):

Tax regulated provisions	Balance as at January 1, 2013	Increase	Reversal used	Reversal unused	Balance as at December 31, 2013
Excess of tax depreciation	158	121	(18)	-	261
Total	**158**	**121**	**(18)**	**-**	**261**

Provisions for contingencies and losses	Balance as at January 1, 2013	Increase	Reversal used	Reversal unused	Balance as at December 31, 2013
Provision for contingencies and losses	-	-	-	-	-
Pensions and similar obligations	643	146	-	-	789
Total	**643**	**146**	**-**	**-**	**789**

Provision for depreciation	Balance as at January 1, 2013	Increase	Reversal used	Reversal unused	Balance as at December 31, 2013
Depreciaiton of financial assets	1,269	420	(1)	-	1,689
Impairment on leasehold improvements	-	-	-	-	-
Total	**1,269**	**420**	**(1)**	**-**	**1,689**
Grand Total	**2,070**	**687**	**(19)**	**-**	**2,739**

Increases and reversals presented within:

Tax regulated provisions	Balance as at January 1, 2013	Increase	Reversal used	Reversal unused	Balance as at December 31, 2013
Operating results		146	-	-	
Financing result		420	(1)		
Exceptional result		121	(18)	-	

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 d2.

Provision for other liabilities and charges

There is no provision for risks other liabilities and charges at December 31, 2013.

Pensions and similar obligations

The lump sump indemnities paid to employees upon retirement are the only defined benefit obligation of the Company. The corresponding obligations are recorded as provisions.

The main actuarial assumptions used to evaluate retirement obligations are the following:

	At December 31,	
	2013	**2012**
Economic assumptions		
Discount rate (iBoxx Corporate AA)	3.20%	3.00%
Annual rate of increase in wages	3.00%	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%	45%
Age at retirement		
- Executives	64 years	64 years
- Non-executives	62 years	62 years
Mortality table	INSEE TD/TV 2009-2011	INSEE TD/TV 2008-2010
Annual mobility	All personnel	All personnel
16-24 years	15%	15%
25-29 years	12%	12%
30-34 years	9%	9%
34-39 years	6%	6%
40-44 years	3%	3%
45-49 years	1%	1%
+50 years	0%	0%

Amounts recognized in the balance sheet are determined in the following manner:

	As at December 31,	
	2013	**2012**
Discounted value of the funded obligation	-	-
Fair value of assets in the plan	-	-
Discounted value of the unfunded obligations	789	643
Unrecognized actuarial losses	-	-
Cost of unrecognized past services	-	-
Provision in the balance sheet	**789**	**643**

The table below shows the amounts recognized in the income statement

	As at December 31,	
	2012	**2012**
Cost of services rendered	83	54
Net actuarial loss recognized during the period	19	18
Finance cost	44	190
Total	**146**	**262**

13) Borrowings

This line item was broken down per maturity and is analyzed as follows (in thousands of euros):

	As at December 31,	
	2013	**2012**
Eurotransbio	-	30
Oséo ADI — 02/15/2002 (Grant 1)	119	426
Oséo ADI — 02/15/2002 ("Conseil Général") (Grant 2)	12	38
Oséo EUREKA — 12/03/2003 (Grant 3)	-	125
Total – current	**131**	**619**
Oséo ADI — 02/15/2002 (Grant 1)	-	118
Oséo ADI — 02/15/2002 ("Conseil Général") (Grant 2)	-	12
BPI PTZI IPH41	1,500	-
Total - non current	**1,500**	**130**
Total borrowings	**1,630**	**749**

The amounts due to Oséo represent the unconditionally repayable portion of the innovation grants as detailed in Note 11.

In 2013, the Company was granted a free interest loan for innovation (PTZI) relating to the program IPH41 for an amount of 1,500 thousand euros.

14) Trade notes payable

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

	As at December 31,	
	2013	**2012**
Trade payables	1,107	1,310
Accruals	4,031	3,357
Trade notes payable	**5,138**	**4,667**

15) Tax and social liabilities

Tax and social liabilities were brokenbreak down as follows (in thousands of euros):

	As at December 31,	
	2013	**2012**
Social liabilities	1,968	1,544
Tax liabilities	124	137
Tax and social liabilities	**2,092**	**1,681**

16) Revenue and deferred income

Revenue come from the agreements with Bristol-Myers Squibb and are composed of:

- An up-front payment of 24.9 million million of euros (35.3 million of dollars), fully cashed-in in July 2011. The non refundable and non creditable amount of this payment is recognized in the profit & lossin turnover during the expected period of duration of the clinical program in course progress at the date of the contract. At December 31, 2012, the whole amount is non-refundable and non-creditableFollowing the reduction of this period, the schedule of recognition schedule was amended during the last quarter of 2013. Consequently, an amount of 3.4 million euros, initially scheduled to be recognized in 2014, has been recognized in 2013;

- Re-invoicing of external costs incurred for the completion of ongoing trials, for which the Company is responsible.

17) 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 research and development activities.

18) Other purchases and external expenses

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

	Year ended December 31,	
	2013	**2012**
Subcontracting (1)	(5,817)	(5,308)
Leasing, maintenance and utility (2)	(1,725)	(1,641)
Travel expenses and congress attendance	(794)	(731)
Non-scientific advisory and consulting (3)	(686)	(807)
Scientific advisory and consulting (5)	(454)	(383)
Intellectual property expenses (4)	(309)	(275)
Marketing, communication and public relations (6)	(287)	(406)
Insurance	(91)	(107)
Telecommunications and postal services	(76)	(74)
Bank charges	(17)	(14)
Others	(55)	(46)
Other purchases and external expenses	**(10,311)**	**(9,793)**

(1) Sub-contracting expenses include discovery research costs (financing research conducted externally, particularly academic research, antibody humanization technologies, manufacturing process development, etc.), pre-clinical development (pilot manufacturing, tolerance and pharmacology studies, etc.) and clinical costs (clinical trial management, etc.) outsourced to third parties. The increase in 2013 compared to 2012 is mainly explained by the rise of the sub-contracting costs relating to the pre-clinical programs.

(2) The Company rents its premises (through lease-financing agreements - see Note 24) and uses third parties for procurement of utilities as well as for maintenance of its laboratory and office premises. The Company also rents some of its computer equipment

(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.

(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 are in relationrelate 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.

As at December 31, 2012 and 2013 under the line item “Others, net” were mostly mainly consisted of expenses in relation to training of the staffrelating to staff training.

19) Personnel costs

The item line respectively amounts to 6,946 and 6,386 thousands of euros for the fiscal years ended December 31, 2013 and 2012. The Company had 84 employees as at December 31, 2013, versus 82 at December, 31, 2012.

The Company benefited from the “competitiveness and employment tax credit” (CICE) for an amount of 60 thousand euros. This tax credit will be mainly used to reinforce the research teams.

20) Depreciation expense and impairment of fixed assets

The depreciation expense and impairment loss on fixed assets can be analyzed as follows (in thousands of euros):

	Year ended December 31,	
	2013	**2012**
Depreciation and amortization	(375)	(277)
Provision for impairment	-	-
Depreciation expense and impairment of fixed assets	**(375)**	**(277)**

21) Financial incomes / (expense)

The financial income and expense can be analyzed as follows (in thousands of euros):

	Year ended December 31,	
	2013	**2012**
Gain on financial assets	438	727
Foreign exchange gains / (losses)	(46)	7
Financial expense on brokering/liquidity contract	120	87
Other financial income / (expenses)	(28)	66
Depreciation of shares in affiliates and related loans	(420)	(422)
Financial income / (expense), net	**64**	**466**

The foreign exchange (loss) / gain represent the exchange difference on the US dollar bank account. The Company uses this bank account to pay its US dollar denominated invoices. The gain and loss booked are unrealized.

22) Exceptional income and expense, net

The exceptional income and expense are analyzed as follows (in thousands of euros):

	Year ended December 31,	
	2013	**2012**
Exceptional income		
Selling price of assets sold	124	-
Reversal of excess of tax depreciation	18	16
Other exceptional income	26	-
Exceptional expenses		
Net book value of fixed assets disposed of	(128)	(3)
Excess of tax depreciation	(121)	(128)
Other exceptional expenses	(2)	(2)
Exceptional income / (expense), net	**(83)**	**(117)**

23) Income tax

Tax losses carried forward

Taking into account the tax regulations in force, the Company has tax losses to be carrieds forward with no time limit in thefor a total amount of 127 million euros as at December 31, 2013 (118 millions of euros as at December 31, 2012).

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 Note 2 h, 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 (in thousands of euros):

	Year ended December 31,	
	2013	**2012**
2011 Research tax credit	-	24
2012 Research tax credit	75	3,772
2013 Research tax credit	4,107	-
Adjustment following tax audit	-	(274)
Research tax credit	**4,182**	**3,522**

24) Commitments

Commitment regarding the scope of the Group

None

Commitments regarding the financing of the Company

- Obligations under certain financial assets

The Company has contracted various financial assets to manage its cash balance. These financial assets have different maturities, with a maximum of six months on the date of signature. The sums invested in these assets are immediately available (daily liquidity), for the major part, they are not subject to any risk of change in value (capital guarantee) and they can easily be converted into a known amount of cash. Only the money market funds (SICAV) held for an amount of 2,989 thousand euros are subject to a risk of change in value (see Note 8).

- Obligations under finance-lease agreement

The Company has ongoing contracts with Sogebail, a subsidiary of Société Générale, to lease the acquisition and the renovation of its headquarters and main laboratories. Duration of this contract is 12 years and the global amount is 6,551 thousand euros. The amount of the future payments at December 31, 2013 is 3,483 thousand euros. The table below does not include these future payments (in thousands of euros):

Categories	**Land**	**Bulidings**	**Total**
Original value	***1,560***	***4,991***	***6,551***
Amortizations:			
- previous years	190	1,319	1,509
- amortization of the year	42	330	371
Total	***232***	***1,649***	***1,880***

Payments			
- previous years	790	2,183	2,973
- 2013	173	548	721
Total	***963***	***2,731***	***3,695***
Payments:			
- less than one year	173	548	721
- between one and five years	693	2,192	2,885
- more than give years	249	788	1,038
Total	***1,116***	***3,528***	***4,644***
Residual value:			
- less than one year	-	-	-
- between one and five years	-	-	-
- more than give years	-	-	-
Total	**-**	**-**	**-**

The Company also contracted with SogeleaseOGELEASE, several contracts for the financing of laboratories and administrative material. Future payments related to these contracts are 192 48 thousand euros at December 31, 20132.

Commitments regarding operational activities of the Company

- Obligations under the terms of in-licensing agreements

The in-licensing agreements signed by the Company (i) usually require the Company to bear all expenses relating to any filing, examination and extension procedures of patents, as well as the expenses related to their protection and (ii) will require, according to certain milestones, the payment of lump sums and royalties on sales to the licensor.

- Obligations under the terms of option agreements

Option agreements signed by the Company (i) usually require the Company to bear all expenses relating to any filing, examination and extension procedures of patents, as well as the expenses related to their protection, (ii) require the Company to pay a lump sum of money in exchange of the option and (iii) will require, if the Company decides to later opt-in, the payment of lump sums (milestone payments) and royalties on sales to the licensor.

- Obligations under the terms of joint-ownership of intellectual property rights

The Company signed certain agreements with different partners, which defined the rules of joint-ownership and the granting of rights regarding certain aspects of intellectual property. Under these contracts, the Company usually bears all expenses relating to any filing, examination and extension procedures of patents, as well as the expenses related to their protection. These agreements also usually require, in exchange of a license over the share of rights owned by the co-owner, and according to certain milestones, the payment of lump sums and royalties on sales to the co-owner.

- Obligation related to operational leases

The Company contracted entered into an agreement with BNP Paribas Leasing Solutions for the financing of a part of its IT material. Amounts of the future payments regarding these materials amounted tois 89 thousand euros at December 31, 2013.

- Obligations under other agreements

As several significant functions in the Company are outsourced, it isthe Company may in the ordinary course of business of the Company to sign short or mid-term sub-contracting or outsourcing agreements with various third parties, in France and abroad. Under these agreements, the Company faces various obligations related to the ordinary course of its business.

25) Litigation

On April 4th, 2012, Platine Pharma Services SAS (see Note 8) received notification of a proposed adjustment following a tax audit. The adjustment amounts to 91 thousand euros. The management of Platine Pharma Services is contesting this adjustment. The period subject to the tax audit was prior to the acquisition 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 Inante Pharma SA.

On June 27, 2013, the Company received a summons to appear before the conciliation board of the labor relations tribunal of Marseille (bureau de conciliation du Conseil de Prud'hommmes de Marseille). The hearing took place on October 3, 2013 and no agreement was reached. The case has been referred to the judgment board of the labor relations tribunal (bureau de jugement) and a hearing has been scheduled for May 6, 2014. The claim amounts to 91 thousand euros. Based on currently available information, the Company considers the risk as uncertain as at the end of December 2013. As a consequence, no provision was booked in the December 31, 2013 balance sheet.

26) Individual training right (DIF)

The cumulated amount of hours acquired by the employees at December 31, 2013 is 7,618 hours.

27) Post balance sheet events

On February 5th, 2014, Innate Pharma SA has acquired full development and commercialization rights to the anti-NKG2A antibody, a first-in-class immune checkpoint ready for Phase II development in oncology from Novo Nordisk A/S. Novo Nordisk A/S will receive 2 million euros and 600,000 shares for licencing NKG2A to Innate Pharma and be 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 shares is subject to approval by Innate's shareholders' at an extraordinary general meeting on 27 March 2014.