

INNATE PHARMA

French *société anonyme* organized with a Supervisory Board and an Executive Board
Share capital of 2,691,835.70 Euros
Headquarters: 117 avenue de Luminy - 13009 Marseille
RCS Marseille 424 365 336
(the “**Company**”)

REPORT OF THE EXECUTIVE BOARD AT THE ANNUAL SHAREHOLDERS’ MEETING OF 2 JUNE 2016

Ladies and Gentlemen,

Dear Shareholders,

We have convened this Annual Mixed Shareholders’ Meeting, pursuant to the provisions of the French Commercial Code and the Company’s articles of association, to deliberate on the following matters:

I. RESOLUTIONS TO BE SUBMITTED AT THE ORDINARY SHAREHOLDERS’ MEETING:

- Approval of the financial statements for the 2015 financial year (Resolution n°1);
- Approval of the consolidated financial statements for the 2015 financial year (Resolution n°2);
- Allocation of earnings for the financial year (Resolution n°3);
- Related-party transactions (Resolution n°4);
- Renewal of Bpifrance Participations as observer of the Supervisory Board (Resolution n°5);
- Determination of attendance fees (*jetons de présence*) to be allocated to members of the Supervisory Board (Resolution n°6);
- Consultation on compensation due or attributable under the financial year ended 31 December 2015 to Mr. Hervé Brailly, chairman of the Executive Board (Resolution n°7);
- Consultation on compensation due or attributable under the financial year ended 31 December 2015 to Ms. Catherine Moukheibir, member of the Executive Board (Resolution n°8);
- Consultation on compensation due or attributable under the financial year ended 31 December 2015 to Mr. Nicolai Wagtmann, member of the Executive Board (Resolution n°9);
- Consultation on compensation due or attributable under the financial year ended 31 December 2015 to Mr. Yannis Morel, member of the Executive Board (Resolution n°10);
- Authorisation for the Company’s purchase of its own shares (Resolution n°11).

II. RESOLUTIONS TO BE SUBMITTED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING:

- Delegation of authority to the Executive Board for the issuance of ordinary Company shares and/or of securities giving access to the share capital of the Company, with shareholders' preferential subscription rights (Resolution n°12);
- Delegation of authority to the Executive Board for the issuance of ordinary Company shares and/or of securities giving access to the share capital of the Company, without shareholders' preferential subscription rights (Resolution n°13);
- Delegation of authority to the Executive Board for the issuance without shareholders' preferential subscription rights, of ordinary Company shares and/or of securities giving access to the share capital of the Company through an offering pursuant to paragraph II of Article L.411-2 of the French Monetary and Financial Code (Resolution n°14);
- Determination of the share issuance price, up to a limit of 10% of the share capital per year, of ordinary shares and/or securities giving access to the share capital of the Company without shareholders' preferential subscription rights (Resolution n°15);
- Authorisation granted to the Executive Board to increase the number of securities to be issued by 15% in the event of a share capital increase with or without shareholders' preferential subscription rights (Resolution n°16);
- Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company, as compensation for contributions in kind comprised of equity securities or securities giving access to the share capital (Resolution n°17);
- Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company, in the event of a public exchange offer initiated by the Company (Resolution n°18);
- Overall cap applicable to the authorisations above (Resolution n°19);
- Delegation of authority to the Executive Board for the purpose of issuing autonomous share subscription warrants reserved for members of the Supervisory Board and consultants of the Company (Resolution n°20);
- Authorisation granted to the Executive Board to allocate existing or new free shares for the benefit of salaried members of the Executive Committee and/or executive officers of the Company or its subsidiaries (Resolution n°21);
- Authorisation granted to the Executive Board to allocate existing or new free shares for the benefit of employees of the Company or its subsidiaries (Resolution no. 22);
- Modification of the by-laws to introduce a new category of preference shares convertible into ordinary shares in the Company's by-laws (Resolution no. 23);
- Authorisation granted to the Executive Board to allocate free preference shares convertible into ordinary shares of the Company for the benefit of salaried directors, salaried members of the Executive Committee and/or executive officers of the Company or its subsidiaries (Resolution no. 24);

- Authorisation granted to the Executive Board to allocate free preference shares convertible into ordinary shares of the Company for the benefit of employees of the Company or its subsidiaries (Resolution no. 25);
- Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company for the benefit of members of a company savings plan (Resolution n°26);
- Delegation of authority granted to the Executive Board for the purpose of cancelling all or part of the Company's treasury shares, acquired pursuant to the authorisation to repurchase shares (Resolution n°27);
- Update of the Company's bylaws in accordance with legal and regulatory provisions in force (Resolution n°28);
- Powers for formalities (Resolution n°29).

Our report, the auditors' reports, the financial statements and consolidated financial statements have been made available to you in accordance with conditions and deadlines set forth by the Company's articles of association and applicable legal provisions.

SUMMARY

I. RESOLUTIONS TO BE SUBMITTED AT THE ORDINARY SHAREHOLDERS' MEETING Erreur ! Signet non défini.

1. **Approval of the financial statements and allocation of earnings for the financial year ended 31 December 2015 (Resolutions n° 1, 2 and 3)** Erreur ! Signet non défini.
2. **Related-party transactions (Résolution n°4)** Erreur ! Signet non défini.
3. **Membership and remuneration of the Supervisory Board (Résolutions n° 5 and 6)**
Erreur ! Signet non défini.
4. **Shareholders' decision on the remuneration of members of the Executive board (Résolutions n° 7 to 10)** Erreur ! Signet non défini.
5. **Company share repurchase Programme s (Résolutions n° 11 and 27) ...** Erreur ! Signet non défini.

II. RESOLUTIONS TO BE SUBMITTED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING Erreur ! Signet non défini.

1. **Financial delegations authorising the Executive Board to increase the share capital (Résolutions n° 12 to 18)** Erreur ! Signet non défini.
2. **Overall limitations on authorisations (Résolution n° 19)** Erreur ! Signet non défini.
3. **Remuneration instruments of directors, executive officers, employees and consultants (Résolutions n° 20 to 26)** Erreur ! Signet non défini.
4. **Cancellation of shares under the share repurchase programme (Résolution n° 27)**
Erreur ! Signet non défini.
5. **Modification of the articles of association: update of the articles of association in accordance with legal and regulatory provisions in force (Résolution n° 28)** Erreur ! Signet non défini.
6. **Powers to complete formalities (Résolution n° 29)** Erreur ! Signet non défini.

Schedule: Proposed amended articles of association of the Company Erreur ! Signet non défini.

I. RESOLUTIONS TO BE SUBMITTED AT THE ORDINARY SHAREHOLDERS' MEETING:

1. Approval of the financial statements and allocation of earnings for the financial year ended 31 December 2015 (Resolutions n°1, 2 and 3)

(a) Financial statements for the financial year ended 31 December 2015

The inventory and financial statements submitted for your approval, under resolution n°1, namely the balance sheet, income statement, statement of cash flows and statement of changes in equity and the annex as at 31 December 2015, have been prepared in accordance with the presentation rules and evaluation methods set forth by the regulations in force in France.

The Executive Board presents this set of accounts for your approval.

The financial statements highlight a net loss of 6,832,880 Euros under the financial year ended 31 December 2015, against a net loss of 19,769,139 Euros under the financial year ended 31 December 2014.

For comments on these financial statements, please refer to the management report of the Executive Board and observations made by the Supervisory Board on this management report which have been made available to you in accordance with the regulations in force.

(b) Amount of non-deductible expenses

In accordance with articles 223 *quarter* and 223 *quinquies* of the French General Tax Code, it is required that you acknowledge, by adopting resolution n°1, that (i) the Company has incurred non-deductible tax expenses referred to under Article 39-4 of this Code, during the past financial year, comprised of 101,062 Euros in attendance fees (*jetons de présence*) paid to the members of the Supervisory Board and 17,494 Euros in excess amortisations on the touring cars, and (ii) the Company has not incurred general expenses referred to under Article 39-5 of the French General Tax Code.

(c) Consolidated financial statements for the financial year ended 31 December 2015

The consolidated financial statements submitted for your approval, under resolution n°2, namely the balance sheet, income statement, statement of cash flows and statement of changes in equity and the annex as at 31 December 2015, have been prepared in accordance with the IFRS standards.

The Executive Board presents this set of accounts for your approval.

The consolidated financial statements highlight a net loss of 6,706 thousand Euros under the financial year ended 31 December 2015, against a net loss of 19,647 thousand Euros under the financial year ended 31 December 2014.

For comments on these consolidated financial statements, please refer to the management report of the Executive Board and observations made by the Supervisory Board on this management report which have been made available to you in accordance with the regulations in force as well as Section 3 of the 2015 Registration Document of the Company, filed with the *Autorité des Marchés Financiers* on 25 April 2016 under the reference D.16-0397 (the "**Registration Document**").

(d) Proposition as regards the allocation of earnings

The profit of the financial year highlights, in light of the financial statements, a net loss of 6,832,880 Euros, which we propose you allocate to “Retained Earnings” under resolution n°3. After allocation of this result, the “Retained Earnings” account will represent a loss of 111,017,635 Euros.

There will be no declaration of dividends under the financial year ended 31 December 2015.

In addition, we remind you that, pursuant to Article 243 *bis* of the French General Tax Code, no dividends have been declared in the preceding three financial years.

2. Related-party transactions (Resolution n°4)

We propose under resolution n°4 that you approve the agreements falling within the scope of articles L.225-86 *et seq.* of the French Commercial Code, as well as any previously authorised and concluded agreements performed during the past financial year.

No agreement or engagement referred to under Article L.225-86 of this Code has been entered into during the financial year ended 2015, except for the renewal of the consultancy agreement of Ms. Catherine Moukheibir (see below).

The agreements referred to under Article L.225-86 of this Code that have been duly authorised and entered into during previous financial years and whose performance continued during the financial year ended 31 December 2015 are as follows:

- **Agreements entered into with Mr. Hervé Brailly, chairman of the Executive board**

Compensation:

Under his employment contract, Mr. Hervé Brailly received a fixed monthly salary of 21,667 Euros over the twelve-month period from January to December 2015 and a collective bonus of 23,197 Euros for 2015, plus an additional amount of 14,083 Euros as collective bonus for 2014. Furthermore, Mr. Hervé Brailly received in 2015 an individual bonus of 91,050 Euros for the 2014 period.

All the information concerning Mr. Hervé Brailly’s compensation, as well as its evolution between the 2014 and 2015 financial years, appears in paragraph I. 4. of the present Report, relating to the “say-on-pay” resolutions.

As regards the application of Article 22 of the AFEP-MEDEF corporate governance code, the Supervisory Board of 27 March 2014 renewed Mr. Hervé Brailly’s term of office and authorised him to simultaneously occupy his position as chairman of the Executive Board and employee of the Company under his work contract, it being specified that his term of office as chairman of the Executive Board is not remunerated, like the other members of the Executive Board.

Defined pension plan under Article 83:

Mr. Hervé Brailly also benefits from the pension contract “Article 83” with *France Vie* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The amount paid by the Company in the 2015 financial year amounted to 3,188 Euros.

Specific unemployment benefits for executive directors (GSC):

The purpose of this contract is to guarantee payment of compensation in the event of unemployment (up to 70% of the last professional income declared to the tax authority) of company executives and officers who are not eligible to claim French unemployment benefits (*ASSEDIC*). This contract was introduced with effect from 1 April 2006 following the Supervisory Board’s authorisation granted on 23 September 2005. The sum paid by the Company for the 2015 financial year amounted to 7,401 Euros.

Company car:

Mr. Hervé Brailly also benefits from a long-term company car rental contract, as agreed by the Compensation and Nomination Committee on 19 January 2007, that cost 1,980 Euros in the 2015 financial year.

- **Agreements entered into with Mr. Nicolai Wagtmann, member of the Executive Board**

Compensation:

Under his employment contract, Mr. Nicolai Wagtmann received a fixed monthly salary of 13,494 Euros over the twelve-month period from January to December 2015 and a bonus of 14,274 Euros as collective bonus for 2015 plus a complement of 8,771 Euros as collective bonus for 2014. In addition, in 2015, Mr. Nicolai Wagtmann received an individual bonus of 30,670 Euros for the 2014 period. Mr. Nicolai Wagtmann also benefited in 2015 from reimbursements of his children’s school fees amounting to 26,932 Euros.

All the information concerning Mr. Nicolai Wagtmann’s compensation, as well as its evolution between the 2014 and 2015 financial years, appears in paragraph I. 4. of the present Report, relating to the “say-on-pay” resolutions.

Defined pension plan under Article 83:

Mr. Nicolai Wagtmann also benefits from the pension contract “Article 83” with *France Vie* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The sum paid by the Company in the 2015 financial year amounted to 1,967 Euros.

Company car:

Mr. Nicolai Wagtmann also benefits from a long-term company car rental contract that cost 2,160 Euros in the 2015 financial year.

- **Agreements entered into with Ms. Catherine Moukheibir, member of the Executive Board**

A consultancy agreement dated 18 April 2011 was entered into between the Company and Ms. Catherine Moukheibir to provide services from 1 March 2011 as Senior Finance Advisor.

Ms. Catherine Moukheibir provides her expertise in the development strategy of the Company and its financial information disclosure. She is also involved in the assessment of all strategic transactions of the Company.

This consultancy agreement allows flexibility in the level of services performed by Ms. Catherine Moukheibir based on the needs of the Company. Indeed, the amount paid to Ms. Catherine Moukheibir is determined in function of the number of working days. Thus, the Company can benefit from a highly-ranked consultant and financial expertise tailored to its needs.

This agreement was amended on 30 April 2011, and was twice extended for a 2 year period on 4 March 2013 then on 6 March 2015. The consultancy agreement extension was unanimously approved by the Supervisory Board.

As such, the Company paid the amount of 287,669 Euros as consideration for the services performed between 1 January 2015 and 31 December 2015.

Furthermore, Ms. Catherine Moukheibir is interested in the results of the Group through the variable allocations of share subscription warrants and/or share subscriptions or refundable share acquisition warrants following the decision of the Supervisory Board upon recommendation of the Compensation and Nomination Committee in light of her achievement of predefined targets. These allocations account for the fact that, Ms. Catherine Moukheibir not being employed by the Company for the reasons explained above, is not eligible to receive collective and individual bonuses (also decided by the Supervisory Board after consulting the Remuneration and Nomination Committee). These attributions are carried out consistently with the attributions of bonus and therefore correspond to a *de facto* element of the variable remuneration, such that they are not cash but instruments, the value of which depends on the stock market price. The details of these attributions are indicated in paragraph I 4. of the present Report, relating to the “say-on-pay” resolutions.

- **Agreements entered with Mr. Yannis Morel, member of the Executive Board**

Compensation:

Under his employment contract, Mr. Yannis Morel received a fixed monthly wage of 11,000 Euros over the six-month period from January to June 2015 and of 12,500 Euros over the six-month period from July to December 2015 and a bonus of 12,580 Euros as collective bonus for 2015 plus a complement of 7,150 Euros as collective bonus for 2014. Mr. Yannis Morel also benefited in 2015 from a personal bonus of 20,900 for the 2014 period.

All the information concerning Mr. Yannis Morel's compensation as well as its evolution between the 2014 and 2015 financial years appears in paragraph I. 4. of the present Report, relating to the “say-on-pay” resolutions.

Defined pension plan under Article 83:

Mr. Yannis Morel also benefits from the pension contract “Article 83” with *France Vie* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The sum paid by the Company in the 2015 financial year amounted to 1,466 Euros.

Company car:

Mr. Yannis Morel also benefits from a long-term company car rental contract that cost 1,650 Euros in the 2015 financial year.

- **Agreements entered into with Novo Nordisk A/S, shareholder and member of the Supervisory Board**

Co-operation Agreement:

On 28 March 2006, Novo Nordisk A/S and the Company executed a co-operation and exclusive licence agreement for the development and commercialisation of the IPH 2101 product.

The parties executed an amendment n°1 on 6 October 2008 aiming to grant exclusive rights to the Company for developing and commercialising the drug candidate IPH 2101.

An amendment n°2 was executed on 6 October 2008. Under this agreement, the Company forfeited its entitlement to milestone payments and royalties on future sales of IPH 2301, another drug candidate licenced to Novo Nordisk A/S.

An amendment n°3 dated 26 June 2009 addressed adjustments in patents administration.

An amendment n°4 was executed on 16 December 2010, amending the scope of their respective developments without financial impact.

An amendment n°5 was executed on 5 January 2011 in order to update the list of patents.

An amendment n°6 modifying amendment n°1 was executed on 5 July 2011 to align certain terms of the contract with the agreement entered into between Bristol-Myers Squibb and the Company on 6 July 2011.

An amendment n°7 was executed on 5 February 2014 according to which Novo Nordisk A/S transferred the rights to develop and market the drug candidate anti-NKG2A to the Company for an amount of 7 million Euros, comprising of a 2 million Euros cash payment and 600 000 Innate Pharma shares.

No new amendment or agreement was entered into during financial year 2015. However, the Company and Novo Nordisk A/S executed on 24 March 2016 an agreement relating to the amounts payable by Innate Pharma to Novo Nordisk A/G pursuant to the above-mentioned amendment n°7, in connection with the agreement entered into with AstraZeneca on 24 April 2015 described in paragraph 1.4.2.1 “Joint development and marketing agreements with AstraZeneca” of the Registration Document. As it was executed (following the Supervisory Board’s authorisation) during the 2016 financial year, this new agreement does not fall within the scope of resolution n°4 of the annual shareholders’ meeting of 2 June 2016, which is the subject of this Report, and will be presented for your approval at the 2017 annual shareholders’ meeting. More information about this agreement is available under paragraph 1.4.2.2 of the Registration Document.

License Agreement:

On 9 December 2013, Novo Nordisk Health Care AG, a fully owned subsidiary of Novo Nordisk A/S, and the Company executed a license agreement under which Novo Nordisk Health Care AG grants a co-exclusive license on patents relating to protein engineering to the Company.

3. Membership and remuneration of the Supervisory Board (Resolutions n°5 and 6)

(a) Renewal of the censor

As Bpifrance Participations' term of office as censor expires, we propose, through resolution n°5, that you renew its term of office for a period of one year expiring at the end of the Ordinary Shareholders' Meeting to be convened in 2017 to decide on the accounts for the financial year ending 31 December 2016.

Bpifrance Participations was first appointed by the shareholders' meeting of 25 May 2010 (at the time, it was known as the Fonds Stratégique d'Investissement), then renewed each year, as legal person censor with a natural person as permanent representative. The current permanent representative of Bpifrance Participations is Olivier Martinez. The position as censor enables Bpifrance Participations, shareholder of the Company since December 2009 and currently holder of a 9% stake in the capital and voting rights, to contribute – with no voting rights – to Board discussions. Thus, the Supervisory Board benefits from the experience of Bpifrance Participations who also is shareholder in several companies in the biotechnology field. The censor function entrusted to Bpifrance Participations in the Supervisory Board also allows the Company to have a direct link with one of its main shareholders.

The censor function in the Supervisory Board is not remunerated, like for the other members of the Supervisory Board.

Olivier Martinez, PhD, MBA, is Investment Senior Director in the Biotech Investment Service in the Innovation Direction of Bpifrance. Before this, Olivier Martinez was Investment Director of CDC Entreprises (2010-2013) and Partner at Bioam Gestion (2000-2010). He is also a member of the Boards of Adocia, Alizé Pharma, Fab Pharma, Gentigel, Poxel and Cerenis Therapeutics. Olivier Martinez is an alumnus of the *Ecole Normale Supérieure* and holds a PhD in cell biology from the University of Paris XI and an MBA from the *Collège des Ingénieurs*.

(b) Attendance Fees

We invite you in resolution n°6 to vote on the allocation of a maximum amount of 200,000 Euros attendance fees for the benefit of members of the Supervisory Board in the 2016 financial year. The amount of attendance fees proposed remains unchanged in comparison to the amount proposed in the previous financial year.

The Supervisory Board will allocate all or part of this amount amongst its members based on a calculation pertaining to their level of participation during meetings and their responsibility in the different committees. The terms and conditions for allocating these attendance fees and the details concerning the allocation of these fees in the financial years 2014 and 2015 are indicated in paragraph 2.2.2 "Compensation of the members of the Supervisory Board" (*Rémunération des mandataires sociaux non-exécutifs*) of the Registration Document and in the Report of the Chairman of the Supervisory Board on corporate governance, internal control systems and risks management, which can be found in section 2.4 of the Registration Document.

4. Shareholders' decision on the remuneration of members of the Executive Board (Resolutions n°7 to 10)

In accordance with the recommendations of the French AFEP-MEDEF Code (French corporate governance code for publicly traded companies), as amended in November

2015 (Article 24.3), the corporate governance code to which the Company refers pursuant to Article L.225-68 of the French Commercial Code, the following elements of the remuneration due or allocated under the financial year ended to each member of the Executive Board of the Company for the year 2015 must be submitted to the shareholders' advisory vote.

We thus invite you under resolutions n°7, 8, 9 and 10 to give your opinion on the following elements of remuneration due or allocated under the financial year ended to Mr. Hervé Brailly, chairman of the Executive Board, Ms. Catherine Moukheibir, Mr. Nicolai Wagtman and Mr. Yannis Morel, members of the Executive Board.

The elements of remuneration presented below are based on the following allocation principles:

- **Principles for determining remuneration allocated to managers**

The Company takes into account AMF Recommendation n°2012-02 dated 9 February 2012 (updated on 22 December 2015) on corporate governance and executive compensation and refers to the AFEP/MEDEF code of November 2015.

The members of the Executive Board, including its Chairman, are bound to the Company by an employment contract, the reference wages being set on an annual basis by the Supervisory Board upon proposal of the Compensation and Nomination Committee, other than for Ms. Catherine Moukheibir who is bound to the Company by a consulting contract for the reasons mentioned below. The members of the Executive Board receive no compensation relating to their social mandate.

Since 2011, Ms. Catherine Moukheibir has been bound to the Company by a flexible consultancy agreement that makes it possible to change the volume of her work depending on the Company's needs. This ad-hoc contract is entered into for a term of 2 years. Upon expiration of the two year time period, the Supervisory Board rules on its renewal upon recommendation of the Compensation and Nomination Committee. This contract also enables the Company to benefit from a top level consultant whose work volume and financial expense is adapted to the Company's needs. The consultancy agreement falls under the scope of the procedure relating to regulated agreements in Article L.225-86 of the French Commercial Code (please refer to paragraph I. 2. of this Report).

To set the compensation and the possible benefits in kind of the members of the Executive Board, the Supervisory Board, with the help of the Compensation and Nomination Committee, particularly takes into account the performance of the Company as a whole, the collective and individual performances of the members of the Executive Board as well as the practices currently in force amongst companies in the biotechnology field of similar size and maturity, in France and abroad. For the granting of equity instruments, the recommendation of the Compensation and Nomination Committee relies in particular on market practices, as known and detailed by the members of the Compensation and Nomination Committee, and on external information collected by the Company and made available to the Compensation and Nomination Committee, including a benchmark of listed companies of the biotechnology field in France and in Switzerland.

The compensation of the members of the Executive Board comprises a fixed compensation and a variable compensation, based on performance, and made of an annual component, determined according to annual performance criteria, and of a long-

term component in the shape of equity instruments, the granting of which is also subject to performance criteria.

Fixed Compensation

The fixed compensation reflects the Executive Board's member's duty, his (or her) level of experience and skills and provides a basis for the determination of the annual variable compensation of the Executive Board members under an employment contract with the Company.

Table summarizing the fixed compensation of each member of the Executive Board and any increases

	2014	2015	2016
Hervé Brailly, Chief Executive Officer	230,020	260,000	300,000
		+13.0%	+15.4%
Nicolai Wagtmann, Member of the Executive Board	161,928	161,928	180,000
		0%	+11.2%
Yannis Morel, Member of the Executive Board	114,000	141,000	180,000
		+23.7%	+27.7%
Catherine Moukheibir, Member of the Executive Board	265,500	320,000	/
		+20.5%	/

On 17 February 2016, the Company decided to increase the fixed compensation starting from 1 July 2016 so as to be in line with international biotech market practices and accordingly attract and retain talent.

The compensation of Mr. Yannis Morel was increased following his appointment as a member of the Executive Board.

Ms. Catherine Moukheibir, member of the Executive Board has entered into a flexible consultancy contract with the Company in 2011, which serves to adjust the level of her services according to the needs of the Company. For this reason, there is no pre-agreed fixed compensation for Ms. Catherine Moukheibir. The increase between 2014 and 2015 accounts for her very significant involvement and the corresponding overtime hours in the negotiation of the AstraZeneca deal.

Compensation linked to annual performance

The variable remuneration is based on performance of the salaried members of the Executive Board and aims to help the Company meet its annual targets. It is made up of two components:

- One is a group bonus, paid to all of the Company's employees, and corresponds to one month's salary defined according to the achievement of predetermined collective objectives.
- The other part is an individual bonus that is defined for each salaried member of the Executive Board by means of weighting of the collective objectives based on the responsibility they hold.

Due to her consulting contract, Ms. Moukheibir is not eligible for any compensation linked to annual performance.

Collective objectives as well as the individual objectives are defined annually by the Supervisory Board upon the recommendation of the Compensation and Nomination Committee. At the same time, the Supervisory Board, once again upon the recommendation of the Compensation and Nomination Committee, evaluates the achievement of objectives according to the criteria defined in the prior year as well as the individual performances assessed quantitatively and qualitatively. In the event of a 100% achievement of the objectives (company and individual, with these criteria not being alternatives), 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, the Supervisory Board may decide to raise the bonus amount beyond 100%, with a limit of 125%. Moreover, in the event of an obviously exceptional performance, which has not been taken into account in the definition of the objectives, the Compensation and Nomination Committee may propose to the Supervisory Board a payment of an exceptional bonus. Thus, following the conclusion of the agreement with AstraZeneca, an exceptional bonus was paid to Mr. Brailly, Mr. Morel and Mr. Wagtmann comprising the equivalent of one month's salary (as with all employees) and an individual component.

Collective objectives, the achievement of which give rise to the granting of part of the bonus of the members of the Executive Board

The 2015 collective objectives were based on R&D targets tied to the progress and success of the programs and on corporate objectives (the detailed figures are in the table below).

These collective objectives and their level of achievement as observed by the Compensation and Nomination Committee and decided by the Supervisory Board were as follows:

Collective Performance Criteria	Weighting	Achievement
R&D		
Progress of clinical programs (recruitment in clinical trials, regulatory approvals)	48%	100%
Progress of pre-clinical programs (preM0 to M1)	20%	100%
Corporate		
Activity of corporate development	8%	100%
RI Activity	8%	100%
Implementation of recruitment plan	8%	100%
Budget and cash target	8%	100%
Total	100%	100%

Individual objectives: weighting of the collective objectives for each salaried member of the Executive Board

The individual objectives correspond to the specific contribution expected of each salaried member of the Executive Board and involve specific weighting of each collective objective as well as specific individual objectives within each collective objective.

The individual weighting of the collective objectives for each salaried member of the Executive Board and their level of achievement as observed by the Compensation and Nomination Committee and decided by the Supervisory Board were as follows:

Individual performance criteria for Hervé Brailly	Individual Weighting	Achievement
R&D		
Progress of clinical programs (recruitment in clinical trials, regulatory approvals)	19,76%	100%
Progress of pre-clinical programs (preM0 to M1)	8,23%	100%
Corporate		
Activity of corporate development	48%	100%
RI Activity	8%	100%
Implementation of recruitment plan	8%	100%
Budget and cash target	8%	100%
Total	100%	100%

Individual performance criteria for Nicolai Wagtman	Individual Weighting	Achievement
R&D		
Progress of clinical programs (recruitment in clinical trials, regulatory approvals)	40%	100%
Progress of pre-clinical programs (preM0 to M1)	20%	100%
Corporate		
Activity of corporate development	40%	100%
RI Activity	/	100%
Implementation of recruitment plan	/	100%
Budget and cash target	/	100%
Total	100%	100%

Individual performance criteria for Yannis Morel	Individual Weighting	Achievement
R&D		
Progress of clinical programs (recruitment in clinical trials, regulatory approvals)	/	100%
Progress of pre-clinical programs (preM0 to M1)	/	100%
Corporate		
Activity of corporate development	100%	100%
RI Activity	/	100%
Implementation of recruitment plan	/	100%
Budget and cash target	/	100%
Total	100%	100%

Variable compensation granted to each of the members of the Executive Board

Given these objectives and their level of achievement, as detailed above, the total variable compensation for each member of the Executive Board for financial year 2015 is set out in the tables below:

Hervé Brailly	Based on collective performance criteria (20.8% of the annual variable compensation)	Based on individual performance criteria (79.2% of the annual variable compensation)	Total
In Euros	21,667	82,333	104,000
% of the maximal amount	100%	100%	100%
% of the fixed compensation	8.3%	31.7%	40%

Nicolai Wagtmann	Based on collective performance criteria (30.3% of the annual variable compensation)	Based on individual performance criteria (69.7% of the annual variable compensation)	Total
In Euros	13,333	30,667	44,000
% of the maximal amount	100%	100%	100%
% of the fixed compensation	8.2%	18.9%	27.2%

Yannis Morel	Based on collective performance criteria (34.7% of the annual variable compensation)	Based on individual performance criteria (65.3% of the annual variable compensation)	Total
In Euros	12,500	23,500	36 000
% of the maximal amount	100%	100%	100%
% of the fixed compensation	8.9%	16.7%	25.5%

Remuneration related to long-term performance

Principles for awarding equity instruments for the financial year ended 31 December 2015

The long-term compensation of the Executive Board members is through the allocation of equity instruments in order to interest them in the long-term development of the Company's worth and in the Company's share price on the stock market.

A policy regarding the allocation of the Company's equity instruments to members of the Executive Board was established by the Company and is renewed every year by the Supervisory Board upon recommendation of the Compensation and Nomination Committee, taking into account the achievement of targets related to the Company's performance.

During the financial year ended 31 December 2015, Executive Board's members benefited from the allocation policy applicable to all employees, namely:

- distribution of redeemable equity warrants (or BSAAR), which aimed to motivate and retain employees and involve them in long-term development of the Company's

worth. The number of BSAAR distributed took into account the hierarchical level and the contribution to the objectives set by management. BSAAR are securities whose subscription price and exercise price are set at their fair value upon the advice of an expert. The subscription price of BSAAR 2015 was set at €1.15 per warrant and the exercise price was set at €7.20. The BSAAR are exercisable for a period of 10 years. However, during the two years following distribution, the beneficiaries may exercise their BSAAR by tranche of one twenty-fourth, and the shares acquired by this exercise shall not be sold until the end of this two year period. Subscription by means of the BSAAR therefore represents an investment on the part of the beneficiary, and this investment will be profitable only in the hypothesis under which the market price is higher than sum of the subscription price and the exercise price (€1.15 plus €7.20., i.e. €8.35). At the end of the exercise period, if it is not exercised, the BSAAR becomes void. The Company benefits from a “forcing” clause, making it possible to encourage holders to exercise their BSAAR 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 the holders who are permitted to exercise the BSAAR, decide to reimburse unexercised warrants at a unit price equal to the acquisition price of the BSAAR by its holder.

- allocation of free shares, aiming to associate employees with company value creation in connection with a company savings plan (PEE).

Distribution of equity instruments to the members of the Executive Board for 2015 fiscal year:

- During the financial year ended 2015, BSAAR were allocated to the members of the Executive Board. The volume of BSAAR allotted in 2015 is linked to the performance of each salaried member of the Executive Board and is defined as prorated to the achievement of individual performance criteria over the year, used for bonus allotment. The targets and their achievement level are described in Paragraph “Compensation related to annual performance” above.
- The following table summarizes the allotment of securities giving access to the share capital to the Executive Board members during the fiscal year ended 31 December 2015:

Members of the Executive Board	Date of the Executive Board	% performance criteria achievement	Number of BSAAR 2015 subscribed ⁽¹⁾	% of maximum dilution ⁽²⁾
Hervé Brailly	07/01/2015	100%	150,000	0.28%
Nicolai Wagtmann	07/01/2015	100%	68,500	0.13%
Yannis Morel	07/01/2015	100%	88,000	0.16%
Catherine Moukheibir	07/01/2015	-	40,000	0.07%

(1) *The subscription price of each 2015 BSAAR was set on the recommendation of an expert at €1.15 per subscribed warrants. The exercise price was fixed at €7.20 per BSAAR.*

(2) *Based on the number of shares comprising the undiluted share capital on the date of allocation by the Executive Board.*

Distribution of free shares to the salaried members of the Executive Board reserved for the members of the Company savings plan (PEE) for 2015 fiscal year:

The Executive Board of 26 January 2015 used the authority given to them by resolution no. 24 approved in the shareholders' meeting of 27 March 2014 to allow employees to subscribe to a capital increase reserved to members of the Company savings plan (PEE). Under conditions defined by the Executive Board, the Company proceeded with a contribution of free shares for any payment by employees of their exceptional bonus into the Company savings plan so as to subscribe to Company shares through the Company savings plan (PEE) (see paragraph 2.3.3 "Company savings plan" of the Registration Document).

In connection with this subscription through the PEE, members of the Executive Board benefited from following free distribution of shares:

	Date of the Executive Board	Amount invested in the PEE	Number of shares subscribed in the PEE with the premium	Contribution in free shares by the Company	% of maximum dilution (1)
Hervé Brailly	01/26/2015	1,372	196	588	0.001%
Nicolai	01/26/2015	700	100	300	0.000%
Wagtmann					
Yannis Morel	01/26/2015	1,281	183	549	0.001%

(1) Based on the number of undiluted shares comprising the share capital on the date of allocation by the Executive Board.

Synthesis of equity instruments held by the members of the Executive Board for the 2015 fiscal year:

The table below summarises the share equivalents of the equity instruments owned by the members of the Executive Board on 31 December 2015:

Members of the Executive Board	R	BSAA	BSA	TOTAL	% of maximum dilution (1)
Hervé Brailly		350,00	-	350,000	0.65%
Nicolai Wagtmann	0		-	68,500	0.13%
Yannis Morel		68,500	-	88,000	0.16%
Catherine Moukheibir		88,000	150,00	190,000	0.35%
Total		546,50	150,00	696,500	1.29%

(1) Based on the number of shares comprising the undiluted share capital on the date of the present Report.

New policy for awarding instruments for equity investment

Subject to the favourable vote of the Annual General Meeting and prior approval of the Supervisory Board upon recommendation of the Compensation Committee before any distribution, the policy for awarding equity instruments to members of the Executive Board is now the following:

- annual or biennial distribution of AGAP (free preference shares) on performance criteria: the preference shares may be converted into ordinary shares according to a conversion ratio depending on multiple year performances defined in advance by

the Supervisory Board upon recommendation of the Compensation Committee. An acquisition period and a retention period for the preference shares will be fixed. Performance will be evaluated over a period of several years to be determined when the instrument is put in place.

- Upon the recommendation of the Compensation Committee, the Supervisory Board reserves the right to authorise an exceptional award of participatory equity instruments – including free shares (AGA) – if a specific event justifies it.

Concerning the financial year ending 2016, the volume and the features of free preference shares (AGAP) and free shares (AGA) that will be allocated pending the approval of the shareholders, appears in paragraph II.3 of the present Report.

Exceptional compensation

In 2015, an exceptional company bonus corresponding to one month's salary was paid *a posteriori* following the AstraZeneca deal, which was not included in the performance criteria defined at the beginning of the year. The salaried members of the Executed Board employees have also benefited from an exceptional individual variable compensation.

Benefits in kind

Salaried members of the Executive Board benefit from a company management vehicle as set out in the elements of compensation shown in detail in the tables below presenting the compensation due or paid to the members of the Executive Board under the financial year ended 31 December 2015.

Salaried members of the Executive Board also benefit from a pension contract, "Article 83", with *France Vie*, financed by a contribution corresponding to 2% of the annual salary, of which the Company is responsible for 1.20%. The amount covered by the Company under the pension contract "Article 83" for the 2015 fiscal year came to 3,188 Euros for Mr. Hervé Brailly 1,967 Euros for Mr. Nicolai Wagtmann and 1,466 Euros for Mr. Yannis Morel.

Lastly, the Company subscribes to a Company Guarantee agreement for Company Heads and Executives (GSC) for the benefit of Mr. Hervé Brailly. The purpose of this agreement is to guarantee payment of compensation in the event of unemployment (up to 70% of the last business income declared to the tax authorities) to heads of companies and company managers not able to benefit from French unemployment benefits (*ASSEDIC*). The GSC was put in place as of 1 April 2006 following authorisation by the Supervisory Board on 23 September 2005. The amount covered by the Company under the GSC for Mr. Hervé Brailly for the 2015 fiscal year came to 7,401 Euros.

(a) Elements of the compensation due or paid for the fiscal year ended 31 December 2015 to Mr. Hervé Brailly, chairman of the Executive Board

Elements of compensation	Amounts	Commentaries
Fixed compensation	260,000	Gross compensation of 260,000 Euros for the 2015 fiscal year approved by the Supervisory Board on 27 March 2014 on the proposal of the Compensation and Nomination Committee. Changes in fixed compensation are set out in Paragraph "Fixed compensation" above.

		This compensation corresponds only to the salary paid to Mr. Brailly under the terms of his employment contract.
Annual variable compensation	104,000	On the recommendation of the Compensation and Nomination Committee, Mr. Brailly's variable remuneration is 104,000 Euros for the 2015 fiscal year, corresponding to an achievement of 100% of the 2015 performance criteria. The criteria and their level of achievement are described in Paragraph "Compensation related to long-term performance".
Exceptional compensation	83,197	Mr. Brailly has received exceptional compensation following the AstraZeneca deal.
Long term remuneration element		<p>Mr. Brailly was awarded 150,000 BSAAR 2015 by the Executive Board meeting of 1 July 2015 upon authorisation by the General Meeting of 27 April 2015 (26th resolution).</p> <p>The subscription price paid was €1.15 for BSAAR 2015, which was the fair value at the time of the subscription (this price was set by the Executive Board upon recommendation of an independent expert. See paragraph "Compensation related to long-term performance" for more details on these instruments). Therefore, according to IFRS2, there is no amount to record relating to the payments by means of shares.</p> <p>In the past, Mr. Brailly benefited from long term remuneration elements. Considering the number of shares owned, the market price evolution takes part in his long term remuneration.</p> <p>For information purposes, it is stated that as of 31 December 2015 Mr. Brailly also held: 200,000 BSAAR 2011 awarded by the Executive Board meeting of 9 September 2011.</p> <p>Mr. Brailly also benefited from being awarded 588 free shares in connection with the Company savings plan.</p>
Variable pluri- annual compensation	N/A	Mr. Brailly is not entitled to receive any variable multi-annual compensation.
Attendance fees	N/A	Like all members of the Executive Board, Mr. Brailly does not receive attendance fees.
Value of all types of benefits	9,381	Mr. Brailly receives a company car.
Severance pay	N/A	Mr. Brailly is not entitled to receive any severance pay.
Non-competition indemnity	N/A	Mr. Brailly is not entitled to receive any non-competition indemnity.

Supplementary pension plan (element taken into account for determining the global	3,188	Mr. Brailly has an “Article 83” pension contract with France Vie, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.
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(b) **Elements of the remuneration due or paid for the fiscal year ended 31 December 2015 to Ms. Catherine Moukheibir, member of the Executive Board**

Elements of compensation	Amounts	Commentaries
Fixed compensation	320, 000	<p>The renewal of the contract including compensation awarded to Ms. Moukheibir was approved by the Supervisory Board on 6 March 2015.</p> <p>Changes in fixed compensation are set out in Paragraph “Fixed compensation” above.</p> <p>This compensation corresponds only to the fees paid to Ms. Moukheibir under the terms of her consultancy agreement.</p>
Annual variable compensation	N/A	Ms. Moukheibir does not receive any annual variable compensation.
Exceptional compensation	N/A	Ms. Moukheibir does not receive any exceptional compensation.
Long-term compensation elements		<p>Ms. Moukheibir benefited from being awarded 40,000 BSAAR 2015 by the Executive Board meeting of 1 July 2015 upon authorisation by the General Meeting of 27 April 2015 (26th resolution).</p> <p>The subscription price paid was €1.15 per BSAAR 2015, which was the fair value at the time of the subscription (this price was fixed by the Executive Board upon recommendation of an independent expert. See Paragraph “Compensation related to long-term performance” for more details on these instruments). Therefore, according to IFRS2, there is no amount to record relating to the payments by means of shares.</p> <p>For information purposes, Ms. Moukheibir held the following as at 31 December 2015: 75,000 equity warrants (BSA 2013) allocated by the Executive Board on July 17, 2013 and 75,000 equity warrants</p>
Attendance fees	N/A	Like all members of the Executive Board, Ms. Moukheibir does not receive attendance fees.
Value of all types of benefits	N/A	Ms. Moukheibir does not receive a management vehicle.
Severance pay	N/A	Ms. Moukheibir is not entitled to receive any severance pay.
Non-competition indemnity	N/A	Ms. Moukheibir is not entitled to any non-competition indemnity.
Supplementary pension plan	N/A	Ms. Moukheibir is not entitled to a supplementary pension plan.

(c) **Elements of compensation due or paid for the fiscal year ended 31 December 2015 to Mr. Nicolai Wagtmann, member of the Executive Board**

Elements of compensation	Amounts	Commentaries
Fixed compensation	161,928	<p>Gross compensation of 161,928 Euros for the 2015 fiscal year approved by the Supervisory Board on 16 September 2014 on the proposal of the Compensation and Nomination Committee.</p> <p>Changes in fixed compensation are set out in Paragraph "Fixed compensation" above.</p> <p>This compensation corresponds only to the salary paid to Mr. Wagtmann under the terms of his employment contract.</p>
Annual variable compensation	44,000	<p>On the recommendation of the Compensation and Nomination Committee, the annual variable remuneration of Mr. Wagtmann is 44,000 Euros, corresponding to an achievement of 100% of the 2015 performance criteria. The criteria and their level of achievement are described in Paragraph "Compensation related to annual performance".</p>
Allowance	26,932	<p>School fee allowance amounting to 26,932 Euros.</p>
Exceptional compensation	44,277	<p>Mr. Wagtmann has received exceptional compensation following the AstraZeneca deal.</p>
Long-term compensation elements		<p>Mr. Wagtmann benefited from being awarded 68,500 redeemable equity warrants (BSAAR 2015) by the Executive Board meeting of 1 July 2015 upon authorisation by the General Meeting of 27 April 2015 (26th resolution).</p> <p>The subscription price paid was €1.15 per BSAAR 2015, which was their fair value at the time of the subscription (this price was fixed by the Executive Board upon recommendation by an independent expert. See Paragraph "Compensation related to long-term performance" for more details concerning these instruments). Therefore, according to IFRS2, there is no amount to record relating to the payments by means of shares.</p> <p>For information purposes, it is stated that Mr. Wagtmann held on 31 December 2015 68 500 BSAAR 2015 awarded by the Executive Board on 1 July 2015.</p> <p>For information purposes, it is stated that since Mr. Wagtmann exercised all of his participatory instruments previously awarded, he does not hold any equity instruments other than those mentioned above.</p>

		Mr. Wagtmann also benefited from being awarded 300 free shares in connection with the Company savings plan.
Variable pluri-annual compensation	N/A	M. Wagtmann does not receive any variable multi-annual compensation.
Attendance fees	N/A	Like all members of the Executive Board, Mr. Wagtmann does not receive attendance fees.
Value of all types of benefits	2,160	Mr. Wagtmann receives a company vehicle.
Severance pay	N/A	Mr. Wagtmann is not entitled to receive any severance pay.
Non-competition indemnity	N/A	Mr. Wagtmann is not entitled to any non-competition indemnity.
Supplementary pension plan (element taken into account for determining the global compensation)	1,967	Mr. Wagtmann has an "Article 83" pension contract with <i>France Vie</i> , at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

(d) **Elements of the compensation due or paid for the fiscal year ended 31 December 2015 to Mr. Yannis Morel, member of the Executive Board**

Elements of compensation	Amounts	Commentaries
Fixed compensation	141,000	Gross compensation of 141,000 Euros for the 2015 fiscal year approved by the Supervisory Board on 25 June 2015 on the proposal of the Compensation and Nomination Committee. Changes in fixed compensation are set out in Paragraph "Fixed compensation" above. This compensation corresponds only to the salary paid to Mr. Morel under the terms of his employment contract.
Annual variable compensation	36,000	On the recommendation of the Compensation and Nomination Committee, the annual variable compensation of Mr. Morel is 36,000 Euros corresponding to the achievement of 100% of the 2015 performance criteria. The criteria and their level of achievement are described in Paragraph
Exceptional remuneration	62,580	Mr. Morel benefited from an exceptional compensation following the closing of the AstraZeneca deal.
Long term compensation elements		Mr. Morel benefited from being awarded 88,000 BSAAR 2015 by the Executive Board on 1 July 2015 upon authorisation by the General Meeting of 27 April 2015 (26th resolution). The subscription price paid was €1.15 per BSAAR 2015 i.e. their fair value at the moment of subscription (this price was set by the Executive Board upon recommendation of an independent expert, please refer to Paragraph "Compensation relating to long-term performance" for more information on these instruments). Therefore, according to IFRS2, there is no amount to record

		<p>relating to the payments by means of shares.</p> <p>For information purposes, it is stated that since Mr. Morel exercised all of the equity instruments previously awarded to him, he does not hold any securities other than those mentioned above.</p> <p>Mr. Morel also benefited from being awarded 549 free shares in connection with the Company savings plan.</p>
Attendance fees	N/A	Like all members of the Executive Board, Mr. Morel does not receive attendance fees.
Value of all types of benefits	3,116	Mr. Morel receives a company vehicle.
Severance pay	N/A	Mr. Morel is not entitled to receive any severance pay.
Non-competition indemnity	N/A	Mr. Morel is not entitled to a non-competition indemnity.
Supplementary pension plan (element taken into account to determine the global remuneration)	1,466	Mr. Morel has an "Article 83" pension contract with <i>France Vie</i> , at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

5. Company share repurchase Programme (Resolutions n°11 and 27)

We propose under resolution n°11 that you authorise the Executive Board, in accordance with the provisions of articles L.225-209 *et seq.* of the French Commercial Code, for a period of 18 months, to purchase the Company's shares at a maximum purchase price which shall not exceed 20 Euros as part of the implementation of a share repurchase programme.

The maximum amount that the Company would be able to allocate to the repurchase programme of its own shares may not exceed the amount of 1,000,000 Euros.

This authorisation is intended to allow the Executive Board to acquire a number of Company shares representing up to 10% of the share capital of the Company, in order to:

- ensure liquidity and promote the secondary market for the Company's securities, which would be accomplished by an investment services provider acting under a liquidity contract in compliance with the ethics charter recognised by the *Autorité des Marchés Financiers*;
- retain the Company's shares that would have been purchased and ultimately use them in exchange or as payment within the context of potential external growth transactions, in accordance with stock market regulations;
- give the Company's shares during the exercise of the rights attached to securities giving access to the share capital of the Company;
- allot shares to employees or officers of the Company, its subsidiaries in accordance with terms and conditions set forth by law, in particular in respect of the allocation of free shares, participation in the profits resulting from the expansion of the business, stock options plans or via a company savings plan;

- cancel all or part of the repurchased shares, provided resolution n°27 below is adopted, by way of the share capital reduction; and
- accomplish all other authorised goals or goals that could become authorised by law or recognised or that would be recognised as market practice by the *Autorité des Marchés Financiers*, in which case the Company would inform its shareholders by way of a press release.

These purchase, assignment, exchange or transfer transactions may be carried out in any manner, in one or several instalments, or on a regulated market, on a multilateral trading facility, through a systematic internaliser or through an over-the-counter transaction, such as an acquisition or block trades, or by resorting to financial instruments.

It is specified that these transactions may not occur during public tender offers initiated by the Company or aimed at its securities.

The description and results of the share repurchase program adopted at the Shareholders' Meeting of 2015 is set out in Paragraph 4.1.3 of the Registration Document.

Please see Paragraph II. 4 below for a description of the resolution pertaining to the cancellation of shares.

II. RESOLUTIONS TO BE SUBMITTED AT THE EXTRAORDINARY SHAREHOLDERS' MEETING

It is proposed, in the context of these financial resolutions, to grant the Executive Board the possibility of increasing the share capital of the Company, so as to be able to seize opportunities to strengthen the capital of the Company, which are required to expand its business and, as the case may be, to seize external growth opportunities.

The Board of Directors specifies that these financial delegations provided for by resolutions twelve to eighteen may not be used during a public offer of the Company.

Moreover, and as is mentioned in paragraph II.3. of the present Report, you are being asked to approve the setting up of long term incentive plans for the employees, the executive officers and the members of the Supervisory Board.

The main features of these resolutions may be summed up as follows:

In terms of size:

- The maximum number of share that may be issued pursuant to the financial delegations (resolutions n°12 to 18) represents 25% of the current share capital, i.e. a maximum dilution of 20% of the share capital (this overall cap is provided for in resolution n°19); it being specified that prior to using these delegations the Supervisory Board shall have a say on the principle of such transactions, and that should the amount of one or several of the transactions implemented represent more than 20% of the current share capital of the Company, the Supervisory Board's decision shall require a two-third majority.
- The maximum number of shares that may be issued as instruments intended for the employees, the executive officers and members of the Supervisory Board

(resolutions n°20 to 25¹) represents 4.18% of the current share capital, i.e. a maximum dilution (if all the conditions to which these instruments are subject are met) of 3.98%. This percentage is significantly low in comparison to listed biotechnology companies of equivalent size, in particular considering that the President of the Executive Board is also the founder of the Company. Moreover, these resolutions are fundamental to continue to motivate a performing management team and to include its members, as well as all the employees, in the success of the Company and of its shareholders.

In terms of kind:

Regarding the increases in share capital

You are being asked to grant the Company the tools needed to carry out funding transactions so as to continue with the development of our clinical programs, to develop additional selected drug candidates through research activities or through acquisitions, to increase our research and development platform and, more broadly, to fund daily operations of the Company.

These increases in capital may be carried:

- with shareholders' preferential subscription right (resolution n°12),
- without this right, in the context of public offerings, including, as the case may be and if market conditions allow it, to meet potential demand of American investors, through an IPO in the United States (resolution n°13), or
- without this right, in the context of a private transaction (resolution n°14)² – as such, you are reminded that this kind of transactions, which may be performed within a short timeframe in order to properly seize market opportunities, has enabled the Company to raise 70 million Euros in November 2013 and June 2014 at reduced discount levels.

You are also being asked to grant the Company the flexibility enabling it to:

- Provide for, but only up to the limit of 10% of the share capital per annum, a 15% discount, higher than the legal 5% discount (resolution n°15) – once more, this flexibility enables the Company, in particular in the context of private placement transactions, to successfully complete transactions in a challenging market context.
- Have the possibility of increasing the initial size of the operation by 15% (resolution n°16). The Board wishes to explain this resolution in detail, given that it was rejected last year and that its functioning and aim may at times be misunderstood:
 - First of all, this increase is included within the cap set for the resolution used for the transaction – it may therefore never lead to a dilution higher than the 20% specified above.
 - Second, this increase in the size, the so-called “*green shoe*”, is very important for the successful completion of the transaction: during the hours and days following

¹ Resolution n°26 relating to an increase in capital reserved to members of the company savings plan is not included. It is mandatory to submit such a resolution to the shareholders' meeting, but the Supervisory Board will issue the recommendation to vote against (and the President of the Supervisory Board will use the powers received from the shareholders to vote against), this plan being redundant with those of resolutions n°20 to 25.

² The size of such transactions is limited, by law, to 20% of the share capital.

the first listing of the new securities, the arbitrageurs may exert downward pressure on the stock price, by selling securities, including short-selling. To counter this pressure, the banks that secured the transaction wish to have the possibility to purchase shares on the market and maintain the stock price at least at the price level of the share capital increase. To do so, they “over allot” to the investors by 15%. If the stock price falls below the transaction price, they may thus repurchase to maintain the stock price (and deliver to the over-alloted investors). If the stock price does not go down, or if their stabilizing transactions have allowed the stock price to go up, they will use the *green shoe* (also called “over-allotment option”) to deliver the over-alloted 15% to investors. The implementation of this mechanism is strictly bound by applicable regulations. From a shareholder’s perspective, it is necessary to remember that the implementation of the green shoe, if this option is used, represents an additional capital increase and thus additional financing raised by the Company at the same price as the initial transaction, and within the envelope adopted by the shareholders’ meeting. If the banks securing the transaction can’t use this option, they won’t perform the transaction. In other words, approving of an authorisation to increase the share capital without shareholders’ preferential subscription right while refusing to approve of the resolution enabling to implement a green shoe is contradictory.

Lastly, you are being asked to grant the Company the authorizations required to seize external growth transactions that may be paid in shares rather than in cash:

- through contributions in kind – up to 10% of the share capital (resolution n°17), or
- through an exchange public offer (resolution n°18).

Regarding the long term incentive plans for employees, executive officers and Supervisory Board members

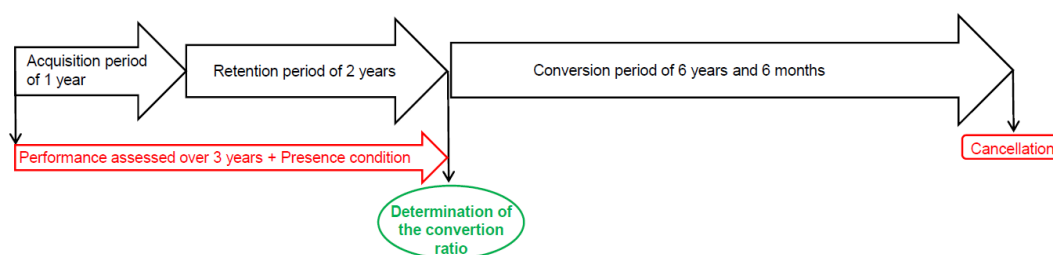
As in past years, you are being asked to authorize an envelope of 150,000 *bons de souscription d’actions* (BSA) for the benefit of the independent members of the Supervisory Board, the members of the Scientific Advisory Board and other consultants or directors that can’t receive any of the other long term incentive instruments for employees and executive officers. These BSA enable the Company to retain and attract high level profiles whilst preserving the Company’s treasury (it is reminded that the self-financing abilities of any company in the field of research and development is very weak)

Regarding the performance free shares (AGAP) and the free shares (AGA) mentioned in paragraph II.3. of the present Report, the table hereunder sums up the contemplated envelopes and their use:

	Number of shares	Beneficiaries	Presence Conditions	Vesting Period	Retention Period	Performance criteria
AGAP Management (resolution n°24)	5,000 AGAP convertible up to a maximum of 1,000,000 shares	Salaried directors, members of the Executive Committee or executive officers currently in office or newly hired or	3 years from granting	1 year	2 years from the definitive acquisition date	Performance criteria, internal and external, explained in the resolution

		appointed				
AGAP Employees (resolution n°25)	2,500 AGAP convertible up to a maximum of 500,000 shares	Employees, except for those targeted in resolution n°24	3 years from granting	1 year	2 years from the definitive acquisition date	Same as above
AGA Management (resolution n°21)	350,000	New members of the Executive Committee or executive officers newly hired or appointed	3 years from granting	3 years	-	No individual performance condition, but a presence condition for 3 years
AGA Employees (resolution n°22)	250,000	Employees, except for those targeted in resolution n°21	1 year from granting	1 year	2 years from the definitive acquisition date	Including: <ul style="list-style-type: none"> • 100,000 AGA granted to reward past performances (AstraZeneca deal especially) and thus without performance conditions • 150,000 AGA subject to the same performance conditions as the collective bonus

Regarding more specifically the AGAP, the graph hereunder sums up the functioning:



This tool enables the measurement of performance over a three-year period (corresponding to one year of acquisition period and two years of retention period) and the adjustment of the advantage obtained as a function of the fulfilment of several criteria (conversion ratio ranging from 0 to 200 shares).

1. Financial delegations authorising the Executive Board to increase the share capital (Resolutions n°12 to 18)

(a) Delegation of authority to the Executive Board for the purpose of increasing the share capital, with preferential subscription rights (Resolution n°12)

It is proposed, that the Shareholders' Meeting delegates authority to the Executive Board to decide, on the issuance, with shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company.

The overall nominal amount of the share capital increases carried out pursuant to this delegation may not exceed a capped amount of 672,958 Euros (that is 25% of the current share capital of the Company), it being specified that this cap will be deducted from the overall nominal capped amount of 672,958 Euros set under resolution n°19.

The amount of securities representing debt securities giving access to the share capital of the Company that could potentially be issued pursuant to this delegation will be limited to a maximum amount of 150 million Euros.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

(b) Delegations of authority to the Executive Board for the purpose of increasing share capital, without preferential subscription rights (Resolutions n°13 and 14)

• **Delegation of authority to the Executive Board for the purpose of increasing the share capital, with preferential subscription rights, in the context of a public tender offer**

It is proposed under resolution n°13, that the Shareholders' Meeting delegates authority to the Executive Board to decide, on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, by way of a public tender offer.

The Executive Board will have the option to grant shareholders a priority subscription period on all or part of the issuance of these securities.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 672,958 Euros (that is 25% of the current share capital of the Company), it being specified that this cap will be deducted from the overall nominal capped amount of 672,958 Euros set under resolution n°19.

The amount of securities representing debt securities giving access to the share capital of the Company that could potentially be issued pursuant to this delegation will be limited to a maximum amount of 150 million Euros.

The issuance price of the shares and securities giving access to the share capital, likely to be issued pursuant to the present delegation, would be determined by the Executive Board pursuant to the provisions of Article L.225-136 1° of the French Commercial Code, or currently a price at least equal to the weighted average price of the shares during the last three stock market trading days preceding the date on which the issuance price is determined, reduced as the case may be, by a 5% maximum discount authorised by law.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

- **Delegation of authority to the Executive Board for the purpose of increasing the share capital, with preferential subscription rights, through a private placement**

It is proposed under resolution n°14, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, through private placement with institutional investors.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 538,367 Euros, it being specified that this cap will be deducted from the overall nominal capped amount of 672,958 Euros set under resolution n°19. Furthermore, the amount of the share capital increases carried out or likely to be carried out may not exceed 20% of the amount of the share capital pursuant to Article L.225-136 3° of the French Commercial Code.

The amount of securities representing debt securities giving access to the share capital of the Company that could potentially be issued pursuant to this delegation will be limited to a maximum amount of 150 million Euros.

The issuance price of the shares and securities giving access to the share capital, likely to be issued pursuant to the present delegation, would be determined by the Executive Board pursuant to the provisions of Article L.225-136 1° of the French Commercial Code and would at least be equal to the weighted average price of the shares during the last three stock market trading days preceding the date on which the issuance price is determined, reduced as the case may be, by a 5% maximum discount authorized by law.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

(c) Delegation of authority to the Executive Board to determine the issuing price (Resolution n°15)

We propose that the Shareholders delegate authority to the Executive Board, to decide, during share capital increases without shareholders' preferential subscription rights representing no more than 10% of the share capital per year, carried out under resolutions n°13 and 14, to derogate from price conditions provided for under these resolutions, and to set the issuance price of the ordinary shares or all securities giving access to the share capital, in accordance with the following conditions: having taken into account market opportunities, the issuance price would at least be equal to the average weighted volumes (in the central offer book and off blocks and off market) of the closing price of the Company share on Euronext Paris on the five stock market trading days preceding the day on which the issuance price was set, potentially reduced by a maximum 15% discount.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

(d) Authorisation granted to the Executive Board to increase by 15% the number of securities to be issued in the event of excess demands (Resolution n°16)

We propose that the Shareholders' Meeting delegates authority to the Executive Board, to decide, if it receives an excess demand during a share capital increase with or without shareholders' preferential subscription rights carried out under resolutions n°12,13 and 14,

to increase the number of securities to be issued at the same price as the one retained for the initial issuance.

This option enables, in the context of an issuance of securities, the issuance within 30 days of the closing of the subscription period, of additional securities up to a maximum amount of 15% of the initial issuance, subject to the overall nominal capped amount of 672,958 Euros set under resolution n°19.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016

(e) Delegations of authority to the Executive Board for the purpose of increasing the share capital, without preferential subscription rights, by way of acquisition transactions (Resolutions n°17 and 18)

As part of the research for new products, the Company may have to acquire other companies, listed or not, and make these acquisitions by using securities. This is the aim of the following two resolutions.

- **Delegation of authority to the Executive Board for the purpose of increasing share capital without preferential subscription rights, as compensation for contributions in kind comprised of equity securities or securities giving access to the share capital**

The Company should be able to pay for potential acquisitions by remittance of ordinary shares or securities giving access to the ordinary shares.

It is proposed under resolution n°17, that the Shareholders delegate authority to the Executive Board to issue, without shareholders' preferential subscription rights, shares or any other securities giving access to the share capital of the Company, as payment for contributions in kind made to the Company and comprised of equity securities or securities giving access to the share capital of the Company.

This option would be limited to 10% of the Company's share capital, it being specified that this cap will be deducted from the overall nominal amount of 672,958 Euros set under resolution n°19.

The amount of securities representing debt securities giving access to the share capital of the Company that could potentially be issued pursuant to this delegation will be limited to a maximum amount of 150 million Euros.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

- **Delegation of authority to the Executive Board for the purpose of increasing the share capital without preferential subscription rights, in the event of an exchange public offer initiated by the Company**

The Company should reserve the option to be able to issue equity securities during a potential exchange public offering initiated by the Company.

It is proposed under resolution n°18, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, in order to carry out an exchange public offering or a similar transaction on the securities of another company.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 672,958 Euros (or 25% of the current share capital of the Company), it being specified that this cap will be deducted from the overall nominal capped amount of 672,958 Euros set under resolution n°19.

The amount of securities representing debt securities giving access to the share capital of the Company that could potentially be issued pursuant to this delegation will be limited to a maximum amount of 150 million Euros.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016.

2. Overall limitations on authorisations (Resolution n°19)

We propose that you cap the overall limitation on authorisations which may be granted at an overall nominal amount of 672,958 Euros (or 25% of the current share capital of the Company). It is specified that the nominal amount of shares to be issued as part of adjustments made to protect the holders of rights attached to securities giving access to the share capital will potentially be added to this amount.

This cap will be applicable to resolutions n°12, 13, 14, 17, and 18 of the Shareholders' Meeting of 2 June 2016.

3. Remuneration instruments of directors, executive officers, employees and consultants (Resolutions n°20 to 26)

(a) Delegation of authority to the Executive Board for the purpose of issuing share subscription warrants for the benefit of members of the Supervisory Board and consultants

It is proposed under resolution n°20, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of BSA for the benefit of the independent members of the Supervisory Board or Company consultants (notably the members of the Scientific Advisory Board) under contractual relationship with the Company at the date of the meeting of the Supervisory Board authorising the principle of using this delegation of authority by the Executive Board.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 7,500 Euros (or 0.28% of the current share capital of the Company).

The Executive Board (i) will determine the precise list of beneficiaries within the category of beneficiaries as well as the number of BSA to be issued for the benefit of each beneficiary; (ii) will determine the characteristics, amounts and terms and conditions of any issuance, as well as the terms and conditions for paying up the issued securities, it being specified that a BSA would give the right to subscribe to a Company share; and (iii) will set the subscription price and the exercise price of such BSA, their dividend entitlement date (*date de jouissance*), it being specified that the amount paid or that should be paid to the Company for each share issued within the context of this delegation, 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 BSA, potentially reduced by a 10% maximum discount, it being specified that the subscription price of the BSA will be equal to 10% of

the exercise price of the BSA as calculated above and that the amount paid upon subscription of the BSA shall be deducted from the amount due upon exercise.

This delegation would be granted for a period of 18 months from the date of the Shareholders' Meeting of 2 June 2016, it being specified that prior to using this delegation, a proposal must be submitted to the Supervisory Board.

(b) Delegation of authority to the Executive Board for the purpose of allocating free shares for the benefit of executive officers and/or employees

It is proposed under resolutions n°21 and n°22, that the Shareholders' Meeting authorises the Executive Board to allocate:

- Pursuant to resolution n°21, an amount of 350,000 ordinary free shares, existing or new, of a nominal value of 0.05 Euro each, for the benefit of the salaried members of the Executive Committee and/or of the executive officers of the Company and its subsidiaries.

In accordance with the recommendations of the Compensation and Nomination Committee, the allocation of free shares shall be reserved to the new members of the Executive Committee and/or the salaried executive officers newly hired or appointed. The allocation may not concern more than five persons, it being specified that a person may not receive more than 250,000 shares;

- Pursuant to resolution n°22, an amount of 250,000 ordinary free shares, existing or new, of a nominal value of 0.05 Euro each, for the benefit of employees of the Company and its subsidiaries.

In accordance with the recommendations of the Compensation and Nomination Committee, the free shares will be offered to all employees of the Company and its subsidiaries, except for members of the Executive Committee and/or the salaried executive officers.

If all the free shares are allocated and new shares are issued, it will result in a total share capital increase of 30,000 Euros (or 1.11% of the current share capital of the Company).

The Executive Board shall determine during each allocation, (i) an acquisition period after which the allocation of existing or new shares will become final, and/or (ii) a retention period starting from the final allocation of existing or new shares, under the following terms:

- the acquisition of the free shares granted to the salaried members of the Executive Committee and/or the executive officers under resolution n°21 shall only be definitive upon the expiry of a three-year vesting period and shall be conditional on the beneficiary's presence in the Company or its subsidiaries. The Executive Board may also set performance conditions to which the definitive acquisition of the free shares shall be subject.
- the acquisition of the free shares granted to the employees under resolution n°22 shall only be definitive upon the expiry of a one-year vesting period and shall be conditional on the beneficiary's presence in the Company or its subsidiaries, this vesting period being followed by a two-year retention period which runs from their definitive allocation.

Among the 250,000 AGA of resolution n°22:

- 100,000 would be granted to reward past performances and thus without performance condition;
- 150,000 AGA would be granted under the same performance conditions as for the collective bonus.

These delegations would be granted for a period of 38 months from the date of the Shareholders' Meeting of 2 June 2016, it being specified that prior to using this power, a proposal must be submitted by the Executive Board to the Supervisory Board.

It is reiterated that should resolution n°22 be adopted, this delegation will void any previous delegation with the same purpose, including resolution n°27 adopted by the shareholders' meeting dated 27 April 2015.

(c) Delegation of authority to the Executive Board for the purpose of allocating free preference shares convertible into ordinary shares to executive officers and/or employees

It is proposed under resolution n°23 to amend the articles of association of the Company in order to create a new category of preference shares convertible into ordinary shares, with the following main features:

- the issuance of preference shares may only be decided in the framework of an allocation of free shares;
- the number of preference shares that can be allocated is of 7,500;
- the admission of the preference shares to negotiations on the regulated market of Euronext Paris will not be requested;
- the nominal value of the preference shares is equal to the nominal value of the ordinary shares, i.e. 0.05 Euro;
- only the preference shares convertible into ordinary shares pursuant to the terms and conditions specified below, (i) grant the right to vote in the general meetings of holders of ordinary shares and (ii) grant the right to a dividend and to a portion of the reserves, applicable only from the date at which they become convertible;
- in the event of a liquidation of the Company, the preference shares are entitled to the same right as ordinary shares to the liquidation surplus, i.e. in proportion to the portion of the share capital that their nominal amount represents;
- the preference shares give no preferential subscription right to any capital increase or any operation granting a right to ordinary shares. In the event of an operation taking place before the preference shares are converted, 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;
- holders of preference shares will have the possibility of requesting the conversion of their preference shares into ordinary shares of the Company, either new or existing (at the Company's option), as follows:
 - the preference shares become convertible after (i) a vesting period of one year from their allocation by the Executive Board, followed by (ii) a two-year retention period from this definitive allocation, during which the preference shares may not be transferred; however, from the first anniversary date of the acquisition date, the

preference shares will be freely transferable to a credit institution in the framework of a pledge agreement;

- the preference shares may only be converted for a conversion period of six year and six months from the expiry of the retention period, depending on the degree of fulfilment of the performance conditions;
- the number of ordinary shares to which each preference share can be exchanged for will depend on the fulfilment of two performance criteria:

1. an “Internal Condition”, determined on the basis of the highest of the following two alternative criteria:

the first criterion is a function of the collected consolidated 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 second criterion is a function of the maturity of the drug candidates lirilumab, monalizumab and IPH4102 developed by the Company during the three years prior to the end of the retention period;

2. a “Market Condition”, determined on the basis of the changes in the stock market price of the Innate Pharma share between:

(i) an “Initial Price” corresponding to the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the allocation date, and

(ii) a “Final Price” corresponding to 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 of the retention period;

The target price to be reached is the “High Price”, corresponding to the Initial Price multiplied by two;

- each preference share will be able to be converted to a maximum number of 200 ordinary shares, comprising a maximum of 100 ordinary shares pursuant to the Internal Condition and a maximum of 100 ordinary shares pursuant to the Market Condition;

The calculation of the conversion ratio as a function of the fulfilment of the performance criteria is summarised in the following table:

Performance Criteria	Achievement degree	Conversion ratio
Internal Condition	• Turnover < 50M€	= 0
1st criterion	• 50M€ ≤ Turnover < 150M€	= $[(\text{Turnover} - 50) / 100] \times 100$
Based on the collected consolidated turnover (the “Turnover”)	• Turnover ≥ 150M€	= 100
OR	•	

Internal Condition 2nd criterion based on the maturity of the portfolio of drug candidates	• Approval for one Phase III trial or one clinical trial with a view to register one product	= 50
	• Approval for two Phases III trials or two clinical trials with a view to register two products and/or two different indications for one product	= 75
	• Examination of a filing for a marketing authorisation request for 1 product by the EMA ³ or the FDA ⁴	= 100
Market Condition	• Final Price < Initial Price	= 0
Based on the changes in the stock price	• Initial Price ≤ Final Price < High Price	= [(Final Price / Initial Price) – 1] x 100
	• Final Price ≥ High Price	= 100

- the right to convert preference shares into ordinary shares, as well as the right to vote in the general meetings of holders of ordinary shares and the right to the dividend and to a portion of the reserves attached to the preference shares that have become convertible are conditional on 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 (*conseil d'administration* or *conseil de surveillance* or, as the case may be, the foreign law equivalent) at the expiry of the retention period;
- the fulfilment of the performance criteria will be determined in a meeting of the Executive Board as soon as practicable after the expiry of the retention period;
- the preference shares that cannot be converted into ordinary shares depending on the extent to which the performance criteria are fulfilled or if the presence condition is not met, and the Preference 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 shall have the option to cancel the preference shares that have not been converted, including those bought by the Company;

As the issuance of AGAP may only be decided in the context of an allocation of free shares, it is proposed, under resolutions n°24 and n°25, that the Shareholders' Meeting authorises the Executive Board to proceed with the following:

- pursuant to resolution n°24, a free allocation of 5,000 preference shares, with a nominal value of 0.05 Euro each, convertible up to a maximum of 1,000,000 new or existing ordinary shares, in favour of (i) the "salaried directors" (namely the Vice-Presidents as provided for in the Company professions and classification grid), (ii) the

³ European Medicines Agency.

⁴ US Food and Drug Administration.

salaried members of the Executive Committee and/or (iii) the executive officers of the Company and its subsidiaries, currently in office or to be hired or appointed.

- pursuant to resolution n°25, a free allocation of 2,500 preference shares with a nominal value of 0.05 Euro each, convertible up to a maximum of 500,000 new or existing ordinary shares, in favour of employees of the Company and of its subsidiaries.

The allocation of free preference shares shall be reserved to the employees of the Company and of its subsidiaries, except for the salaried directors, salaried members of the Executive Committee and/or executive officers of the Company targeted by resolution n°24.

If all the free preference shares are allocated and converted into new ordinary shares, a total capital increase of 75,000 Euros will take place (i.e. 2.79% of the current share capital of the Company).

These delegations would be granted for a period of 38 months from the date of the Shareholders' Meeting of 2 June 2016, it being specified that prior to using these delegations, the principle of their use must be submitted to the Supervisory Board.

(d) Delegation of authority to the Executive Board for the purpose of increasing share capital without preferential subscription rights, for the benefit of employees

You are reminded that pursuant to the provisions of Article L.225-129-6 of the French Commercial Code, it is mandatory to submit to a shareholders' meeting any proposed resolution for a realisation of a share capital increase under the conditions set forth at articles L.3332-18 *et seq.* of the French Labour Code and of Article L.225-138-1 of the French Commercial Code, in the context of a company employees savings plan.

Accordingly, it is proposed under resolution n°26, that the Shareholders' Meeting delegates to the Executive Board authority to decide on the issuance of Company shares or securities giving access to the share capital of the Company, without shareholders' subscription rights, for the benefit of members of a company savings plan established in the Company or its group, up to a maximum nominal amount of 10,000 Euros (or 0.37% of the current share capital of the Company).

The subscription price of new shares would be equal to 80% of the weighted average of the Company's share prices during the last twenty stock market trading days preceding the date on which the decision setting the commencement date of the subscription period was taken, when the lock-up period provided under the savings plan pursuant to Article L.3332-25 *et seq.* of the French Labour Code is less than ten years, and 70% of the weighted average when such lock-up period is greater than or equal to ten years.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 2 June 2016, it being specified that prior to using this delegation, the principle of its use must be submitted to the Supervisory Board.

Equity participation of employees (with registered shares and excluding executive officers) amounts to 459,596 shares, or 0.85% of the shares (in the non-diluted share capital) issued on 31 January 2016.

Given the existing employees participation instruments within the Company and of those to be submitted for approval at the annual shareholders' meeting of 2 June 2016, we do not

deem it useful to adopt the present resolution and we therefore recommend that you vote against it. The President of the Supervisory Board will use the powers received from the shareholders to vote against it.

4. Cancellation of shares under the share repurchase programme (Resolution n°27)

The targets of the share repurchase programme, subject of resolution n°11 include amongst others the cancellation of the acquired shares. As such, we would like you to grant, by your vote on Resolution n°27, authorisation to the Executive Board for a period of 24 months, to cancel all or part of the shares of the Company which it may acquire under a share repurchase programme, up to the 10% limit of shares comprising the share capital of the Company per 24 months period.

5. Modification of the articles of association: update of the articles of association in accordance with legal and regulatory provisions in force (Resolution n°28)

It is proposed, under resolution n°28, to update the articles of association so that they may be in line with recently adopted legal and regulatory provisions, and, notably, update:

- Article 9 of the articles of association “Form of Shares – Administration of the Share Accounts” in order to reflect the provisions of Article L.228-2 of the French Commercial Code, as amended by order n°2014-863 of 31 July 2014 broadening the procedures for shareholder identification;
- Article 17 of the articles of association “Composition of the Supervisory Board” in order to reflect the provisions of Article L.225-72 of the French Commercial Code, as amended by law n°2008-776 of 4 August 2008 increasing from three to six months the period during which the members of the Supervisory Board may regularise their holding of shares;
- Article 22 of the articles of association “Regulated Agreements” in order to reflect the provisions of articles L.225-86 *et seq.* of the French Commercial Code, as amended by (i) law n°2011-525 of 17 May 2011 that removes the requirement to disclose and establish a list of the material agreements entered into in the ordinary course of business and under normal conditions and (ii) order n°2014-863 of 31 July 2014, that amends several aspects of the regulated agreements regime;
- Article 27 of the articles of association “Convening Meetings” in order to reflect the provisions of Article R.225-69 of the French Commercial Code, as amended by decree n°2010-684 of 23 June 2010 extending the period for convening general meetings for the second time from six to ten days;
- Article 28 of the articles of association “Agenda” in order to reflect the provisions of Article L.225-105 of the French Commercial Code, as amended by order n°2010-1511 of 9 December 2010, that grants shareholders holding a given fraction of the share capital the right to request for items to be included on the agenda;
- Article 30 of the articles of association “Representation of Shareholders” in order to reflect the provisions of Article L.225-106 of the French Commercial Code, as amended by order n°2010-1511 of 9 December 2010, that grants shareholders the right to be represented at shareholders’ meeting by their partner in a civil union or any other natural or legal person of their choice.

The text of the new articles of association of the Company, attached to the present Report, will enter into force at the end of the Shareholders’ Meeting of 2 June 2016.

6. Powers to complete formalities (Resolution n°29)

It is proposed that the Shareholders' Meeting grants full powers to the holder of an original, a copy, or an excerpt of the minutes of the Shareholders' Meeting of 2 June 2016 for the purpose of completing legal formalities

* * *

Should you approve our various proposals, please confirm with your vote by adopting these resolutions which will be read to you and have been kept available at the registered office during the fifteen days preceding the Shareholders' Meeting of 2 June 2016, in accordance with law.

The Executive Board

Schedule: Proposed amended articles of association of the Company

INNATE PHARMA SA

A corporation with executive board and supervisory board with a share capital of EUR [●]

Registered Office: 117 avenue de Luminy, 13009 Marseille
424 365 336 Registry of Trade and Companies of Marseille

ARTICLES OF ASSOCIATION (BY-LAWS)

Amended by the Executive Board of [●]

TITLE I
FORM – NAME – REGISTERED OFFICE – OBJECT - DURATION

ARTICLE 1 - Form

The Company was incorporated in the form of a Simplified Share Company governed by applicable statutory provisions and by these articles of association.

The Company was transformed into a Corporation with a Executive Board and a Supervisory Board by a decision of the Mixed Meeting of Shareholders of 13 June 2005. It is governed by the statutory and regulatory provisions in force and by these articles of association.

ARTICLE 2 – Corporate Name

The name of the Company is INNATE PHARMA.

On any instruments or documents issued by the Company, the name of the Company must be immediately preceded or followed by the words “Corporation with Executive Board and Supervisory Board” and a statement of the share capital.

ARTICLE 3 - Registered Office

The registered office is at 117 avenue de Luminy, 13009 Marseille.

It may be transferred within the same administrative department or to a neighbouring administrative department by a decision of the Supervisory Board subject to ratification by the Ordinary Meeting of Shareholders.

ARTICLE 4 - Purpose

The purpose of the Company is, directly or indirectly, in France and abroad, to:

- carry out, on its own behalf or on behalf of third parties, any research, development, studies and development of manufacturing or marketing procedures for pharmaceutical products;
- register or grant any patent or licence directly or indirectly connected with its activity; and
- more generally, carry out any transactions of any kind whatsoever including economic, legal, financial, civil or commercial transactions which may be directly or indirectly related to the corporate purposes or to any similar, related or complementary objects.

ARTICLE 5 - Duration

Unless it is extended or wound up early, the Company shall have a duration of 99 years which starts from the day of its registration at the Registry of Trade and Companies.

Decisions to extend the duration of the Company or to wind it up early shall be taken collectively by the shareholders.

TITLE II
CONTRIBUTION - SHARE CAPITAL – FORM OF SHARES - RIGHTS AND OBLIGATIONS
ATTACHED TO SHARES

ARTICLE 6 – Share Capital

The share capital is [●] euros (euros [●]). It is divided into [●] ([●]) ordinary shares of zero point zero five (0.05) euro each (herein referred to as “A Shares”), and [●] preference shares of zero point zero five (0.05) euro each (herein referred to as “B Shares”), fully subscribed and fully paid up in cash.

ARTICLE 7 – Modifications of the Share Capital

I. The share capital may be increased by either the issue of new shares or an increase of the nominal value of existing shares.

New shares are paid up either in cash, by a contribution in kind, by set-off against due and payable receivables, by incorporation of profit, reserves or issue premiums into the share capital, as a result of a merger or demerger, or further to the exercise of a right attached to securities entitling their holder to capital, including, as the case may be, the payment of the corresponding amounts.

New shares are issued at either their nominal amount or at such amount increased by an issue premium.

A share capital increase can only be decided by an Extraordinary Meeting of Shareholders, following a report by the Executive Board containing the information required by law.

An Extraordinary Meeting of Shareholders may, however, delegate such competence to the Executive Board pursuant to the conditions provided by law. Within the limit of the powers so granted by an Extraordinary Meeting of Shareholders, the Executive Board shall have the powers required to increase the share capital in one or several steps, to determine the terms and conditions thereof, to officially acknowledge the completion thereof and to make the corresponding amendments to the articles of association.

If a share capital increase is decided by a Meeting of Shareholders, it may delegate all the powers required for the completion of the operation to the Executive Board.

If the Executive Board is acting by virtue of a delegation of power or competence, it shall prepare a supplementary report to the Ordinary Meeting of Shareholders held following the meeting of the Executive Board at which such action is taken.

If the share capital is increased by the incorporation of profits, reserves or issue premiums, the Extraordinary Meeting of Shareholders shall deliberate pursuant to the conditions of quorum and majority required for Ordinary Meeting of Shareholders. In such case, the Meeting of Shareholders may decide that rights constituting fractional shares shall be neither negotiable nor transferable and that the corresponding securities should be sold. The proceeds of sale shall be allocated to the holders in proportion to their rights.

An increase in share capital by increasing the nominal amount of shares may only be decided by a unanimous decision of the shareholders, unless it is the result of an incorporation of profits, reserves or issue premiums into the share capital.

Shareholders have a preferential right of subscription, in proportion to their shareholdings, to shares issued by way of cash contribution in order to increase the share capital. Shares acquired

pursuant to the exercise of this right shall be of the same category as that of the share from which the aforesaid right arises. This also applies to shares resulting from the acquisition of securities other than shares.

Shareholders may dispose of all or part of their subscription rights during the subscription period. Such rights are negotiable if they are detached from shares which are themselves negotiable. If this is not the case, then such subscription rights may be disposed of on the same terms as the shares themselves.

Shareholders may waive their preferential right on an individual basis.

The Extraordinary Meeting of Shareholders which decides to increase the share capital may cancel the preferential right to subscription pursuant to the conditions and within the limits set by law, and shall make such decision following the issuance of reports of the Executive Board and the Statutory Auditors, in accordance with the conditions determined by the law and regulations in force.

Shares which have not been subscribed for on an irreducible basis may be allocated to shareholders who may have subscribed on a reducible basis for a greater number of shares than that to which they could have subscribed on a preferential basis, in proportion to their subscription rights, and in any event, within the limit of their request, if the Extraordinary Meeting of Shareholders, or, in the case of delegation, the Executive Board, expressly so decides.

If the subscriptions have not, in any respect whatsoever, covered the entire share capital increase, the Executive Board may exercise any one or more of the options provided below, in the order it sees fit:

- (i) limit the share capital increase to the amount of the subscriptions on the dual condition that such subscriptions cover at least three quarters of the amount of the originally determined increase, and that such option has not been expressly prohibited by the Extraordinary Meeting of Shareholders at the time of issue;
- (ii) allocate the remaining shares unless the Extraordinary Meeting of Shareholders has decided otherwise; and
- (iii) opening the subscription to the public if this has been expressly authorised by the Extraordinary Meeting of Shareholders.

If the subscriptions have not covered the entire share capital increase, or three quarters of this increase in the case of (i) above, after such options have been exercised, the share capital increase shall not be carried out.

However, the Executive Board may in any case automatically limit the share capital increase to the amount covered by subscriptions, if unsubscribed shares represent less than 3% of the share capital increase.

In the case of a share capital increase with or without a preferential right of subscription, the Extraordinary Meeting of Shareholders may provide that the number of shares may be increased within thirty days of the closure of subscriptions by up to 15% of, and at the same price as for, the original issue.

If the share capital increase produces fractional shares, shareholders with insufficient subscription or allocation rights shall be required personally to acquire or dispose of the subscription rights necessary to obtain delivery of a whole number of new shares.

II. An Extraordinary Meeting of Shareholders (or, in the case of delegation, the Executive Board) may also (subject to the rights of creditors if relevant) authorise or decide upon a reduction of share capital for any reason and by any procedure whatsoever. A reduction in share capital may not, in any event, derogate from the principle of equality between shareholders.

The reduction of share capital to an amount below the legal minimum can only be decided subject to the condition precedent of a share capital increase to at least the statutory minimum, unless the Company is transformed into a company having a different corporate form. In the event that the foregoing principle is not complied with, any interested party may ask the courts to dissolve the Company, provided however that the dissolution of the Company cannot be ordered if, as of the date on which the court rules on the merits, the situation has been rectified.

Subject to the legal and regulatory provisions in force, the Company may not either subscribe to or purchase its own shares. However, if an Extraordinary Meeting of Shareholders has decided on a reduction of share capital for reasons other than due to losses, it can authorise the Executive Board to purchase a fixed number of shares in order to cancel them.

ARTICLE 8 – Paying Up Shares

At least one quarter of the nominal value of shares subscribed for cash must be paid up on subscription together with the full amount of the issue premium, if relevant.

The remainder must be paid up in one or more instalments, upon calls made by the Executive Board, within five years of the day on which the share capital increase was completed.

Subscribers will be informed of calls for funds by registered letter with confirmation of receipt sent at least fifteen days prior to the date set for each payment.

If a shareholder does not pay the amounts due with respect to the shares for which he has subscribed, on the dates determined by the Executive Board, interest will automatically accrue on such amounts in favour of the Company at the statutory rate defined in Article L. 313-2 of the Monetary and Financial Code, as of the expiry of the month following the date on which they fall due and without the need for a court petition or formal notice. Moreover, when due payments in respect of shares have not been made within thirty days of formal notice sent to the defaulting shareholder, such shares will no longer entitle the holder to admission to shareholders' meeting and the right to vote in shareholders' meetings, and shall be deducted for the calculation of the quorum. The right to dividends and the preferential right of subscription to share capital increases attached to these shares shall be suspended. These rights shall be regained on payment of the principal and interest due in respect of the amounts due. A shareholder can then request the payment of dividends that are not time-barred and exercise his preferential right of subscription if the exercise period for such right has not expired.

The share capital must be fully paid up prior to any issue of additional shares to be paid up in cash.

ARTICLE 9 – Form of Shares – Administration of the Share Accounts

A Shares are either in registered form or, if allowed by law, in bearer form, at the shareholder's discretion. Fully paid-up B Shares are in registered form.

A Shares and B Shares are registered in individual accounts opened by the Company or any authorised intermediary, in the name of each shareholder and kept according to the conditions and procedures provided by statutory and regulatory provisions.

The Company is authorised to rely on statutory provisions, in particular Article L. 228-2 of the Commercial Code, with respect to the identification of the holders of bearer shares and for such purpose it may at any time request the central depository who administers the share account, to provide the information referred to in Article L. 228-2 of the Commercial Code, in exchange for payment. The Company is therefore, in particular, entitled at any time to request the name and year of birth, or concerning a legal person, the corporate name and year of incorporation, the nationality and the post address and, if applicable, email address of holders of securities which give the right to vote in Meeting of Shareholders, either immediately or in the future, as well as the number of shares held by each of them and, as the case may be, any restrictions which may apply to the shares.

ARTICLE 10 - Transfer of Shares

Registered shares may be transferred by transfer from one account to another.

A Shares paid up in cash are freely transferable as from the completion of the share capital increase. A Shares received in exchange for contribution in kind are freely transferable as from the completion of the share capital increase, *i.e.* on the date of the Meeting of Shareholders or meeting of the Executive Board, acting under delegation, which approved the contribution, in the case of an in-kind contribution during the life of the company.

Title to A Shares is transferred by registration in the buyer's account, on the date and in accordance with the conditions provided by applicable law and, as the case may be, regulations.

A Shares are freely transferable subject to legislative provisions. B Shares are transferable under the conditions set forth in Article 12 of these by-laws.

ARTICLE 11 – Crossing of Thresholds

Any natural person or legal entity referred to under Articles L. 233-7, L. 233-9 and L. 223-10 of the Commercial Code who gains possession, directly or indirectly, alone or in concert, of a number of shares which represent a portion of the share capital or voting rights of the Company equal to or greater than 1% or a multiple of such percentage, must inform the Company of the total number of shares, voting rights and securities granting an interest in capital or voting rights which it owns immediately or would own in the future, by registered mail with confirmation of receipt sent to the registered office of the Company within five trading days starting from the date that the aforesaid threshold(s) were crossed.

The obligation of information provided above also applies in the same conditions when the aforesaid thresholds are crossed downwards.

Shares or voting rights in excess of the portion which should have been declared but which have not been declared pursuant to the aforesaid conditions, are stripped of their rights to vote at shareholders' meetings for any meeting held within two years following the date of the regularisation of the declaration in accordance with Article L. 233-14 of the Commercial Code, if failure to make the declaration has been observed and if one or more shareholders holding an interest of at least 5% of the share capital of the Company make such request, recorded in the minutes of the Meeting of Shareholders.

The foregoing obligations to declare apply in addition to the threshold crossing declarations provided by legal or regulatory provisions in force.

ARTICLE 12 - Rights and Obligations attached to Shares

The share capital of the Company is divided between A Shares and B Shares.

I. Rights 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 Meeting 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 articles of association and the decisions of the 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 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.

II. Rights 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 paragraph III. 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.

III. 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 in Paragraphs 2 to 10 below. The "Expiry Date of the Retention Period" is defined as the end of the Retention Period.

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.

1. 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.

2. 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").

3. 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 Paragraph II. above.

4. 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 millions euros, the conversion ratio under the Internal Condition will be equal to 0;

(ii) If the Turnover is superior or equal to 50 millions euros and inferior to 150 millions euros, the conversion ratio under the Price Condition will be equal to :

$$[(\text{Turnover}-50)/100]\times 100$$

(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.

5. 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:

$$[(\text{Final Price} / \text{Initial Price}) - 1] \times 100$$

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.

6. 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 Paragraph II. 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 in Paragraph 8. 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.

7. 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.

8. 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.

9. 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.

10. 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.

ARTICLE 13 – Usufruct / Bare Ownership

The shares are not divisible with respect to the Company.

Co-owners of shares must arrange to be represented vis-a-vis the Company by one of them only, who will be considered as the sole holder, or by a sole agent. In the case of disagreement, a sole agent may be appointed by the courts at the request of the most diligent co-owner.

Unless the Company has been notified of an agreement to the contrary, usufruct shareholders validly represent bare owners vis-à-vis the Company. The right to vote is held by the usufruct shareholder in Ordinary Meeting of Shareholders and by the bare owner in Extraordinary Meeting of Shareholders.

Unless otherwise agreed by the parties, where shares are encumbered by a usufruct interest, the preferential right to subscription attached thereto is held by the bare owner.

TITLE IV

COMPANY MANAGEMENT AND SUPERVISION

ARTICLE 14 – Management Structure

The Company is managed by an Executive Board which exercises its duties under the supervision of a Supervisory Board.

ARTICLE 15 – Composition of the Executive Board

- I. The Executive Board consists of at least two members and five members at most.
- II. Members of the Executive Board are appointed by the Supervisory Board.

The members of the Supervisory Board appoint one of the members of the Executive Board as Chairman of the Executive Board for the duration of his term of office as a member of the Executive Board. The Chairman of the Executive may be dismissed by the Supervisory Board.

Members of the Executive Board must be natural persons, failing which the appointment shall be null and void. They may be chosen from non-shareholders. They may be French nationals or of foreign nationality.

Members of the Executive Board may be dismissed by the Supervisory Board of the Meeting of Shareholders. They may resign at any time.

If a member of the Executive Board has entered into an employment contract with the Company, his dismissal, resignation or the expiry of his term of office as a member of the Executive Board will not cause such contract to be terminated.

The Executive Board is appointed for a term of three years. If a post is vacant, the Supervisory Board must make an appointment to fill the post within two months.

However, the terms of office of the members of the Executive Board who were duly appointed for six years by the Supervisory Board of 13 June 2005, pursuant to the provisions of the articles of association which were then applicable, shall continue to the end of their initial term and be renewed at the annual meeting of shareholders called to decide on the accounts of the financial year closing 31 December 2010.

The replacement is appointed for the remaining term until the renewal of the Executive Board. Members of the Executive Board may be reappointed.

The procedure for and amount of the remuneration of each of the members of the Executive Board is set out in the instrument appointing them.

- III. No member of the Executive Board may be a member of the Supervisory Board, the Sole Chief Executive Officer or the Chairman of the Executive Board of more than one other corporation whose registered office is in metropolitan France.

Executive Board membership may only be combined with another corporate office in another company in accordance with the statutory and regulatory restrictions in force.

- IV. The Executive Board meets as often as necessary in the interests of the Company and at least once a quarter, convened by its Chairman or an Executive Board member delegated to such effect, at the place decided by the person convening the meeting.

In order for deliberations to be valid, the majority of the members of the Executive Board must be physically present. However, members of the Executive Board who attend Executive Board meetings by video-conference or any other means of telecommunication in compliance with the statutory and regulatory provisions applicable to corporations with a Board of Directors management structure, are deemed to be present.

Any member of the Executive Board may be represented by another member of the Executive Board at the meetings of the Executive Board or take part in an Executive Board meeting by video-conference or any other means of telecommunication as referred to above. Each member of the Executive Board may receive only one proxy.

Decisions are made by a majority of those present and represented. Each member has one vote

At each meeting, the Executive Board may appoint a secretary who may be chosen from outside the members of the Executive Board.

V. The deliberations of the Executive Board are recorded in minutes placed or bound in a special registry.

The records are signed by the Chairman and by a member of the Executive Board who is present at the meeting, or by two of the members present.

When the Executive Board has to provide evidence of its deliberations, copies of extracts of the minutes to be submitted in evidence shall be certified by the Chairman or by a member of the Executive Board delegated for this purpose. Following dissolution of the Company, they are certified by one of the liquidators or the sole liquidator.

ARTICLE 16 - Powers of the Executive Board

I. The Executive Board has the widest of powers to act in all circumstances in the name of the Company. It exercises its powers within the scope of the corporate purposes, subject to the powers which are expressly granted by law to the Supervisory Board and the Meeting of Shareholders, and, as the case may be, within the limit of the restrictions on powers decided by the Supervisory Board.

In its relations with third parties, the Company is bound by the actions of the Executive Board even where these are outside of the scope of the corporate purposes, unless it proves that the third party was aware that the actions exceeded such purposes or if it could not have failed to be aware of this in view of the circumstances; publication of the articles of association not in itself constituting sufficient evidence thereof.

The Chairman of the Executive Board, or, as the case may be, the Chief Executive Officer, , represents the Company in its relations with third parties. The Supervisory Board may grant the same authority to represent the Company to one or more other Executive Board members, who in that case will be referred to as managing directors. The Chairman of the Executive Board and the managing director (s), if any, may designate any agent which they choose to exercise specific powers.

II. The Executive Board presents a report to the Supervisory Board at least once every quarter.

The Executive Board presents the annual financial statements to the Supervisory Board within three months of the end of each financial year, for the purposes of verification and supervision.

It must also provide the Supervisory Board with the management report which it will present to the Annual Meeting of Shareholders.

III. The Chairman of the Executive Board represents the Company in its relations with third parties.

IV. Members of the Executive Board may allocate corporate management tasks among themselves, with the approval of the Supervisory Board. However, such distribution may not, under any circumstances, cause the Executive Board to lose its collegial nature with respect to the management of the Company.

ARTICLE 17 – Composition of the Supervisory Board

I. The Executive Board is supervised by a Supervisory Board composed of a minimum of three members and a maximum of eighteen members, subject to the exceptions provided by law in such respect in the event of a merger.

Members of the Supervisory Board are appointed from among natural persons or legal entities that are shareholders by the Ordinary Meeting of Shareholders, which may dismiss them at any time. However, in the case of a merger or demerger, an Extraordinary Meeting of Shareholders may appoint the members of the Supervisory Board.

No member of the Supervisory Board may be a member of the Executive Board.

The number of the members of the Supervisory Board who have reached seventy (70) years of age may not be greater than one third of the members of the Supervisory Board in office. Where such limitation concerning the age of members of the Supervisory Board is exceeded, the most elderly member of the Supervisory Board is deemed to have automatically resigned.

II. The duration of the terms of office of the members of the Supervisory Board is two years. It expires at the close of the Meeting of Shareholders called to decide on the financial statements for the preceding year and which is held during the year in which their appointment expires.

Members of the Supervisory Board may be reappointed.

They may be dismissed at any time by an Ordinary Meeting of Shareholders.

III. Members of the Supervisory Board may be natural persons or legal entities. Legal entities must, at the time of their appointment, designate a permanent representative who will be subject to the same conditions and obligations and who will incur the same liabilities provided by law as if he were a member of the Council in his own name, without prejudice to the joint and several liability of the legal entity he represents.

If a legal entity dismisses its representative, it must appoint a replacement at the same time. This rule also applies in the case of the death, resignation or long-term prevention of the permanent representative from exercising his duties.

A natural person who accepts an appointment and exercises as a member of the Supervisory Board thereby has the obligation to confirm at any time on oath, that he satisfies the limitation required by law with respect to the combining the post of member of the Supervisory Board and member of the Executive Board of corporations.

IV. Appointments which are made by the Supervisory Board in accordance with the foregoing are subject to ratification by the next following Ordinary Meeting of Shareholders. If such appointments are not ratified, the deliberations made and actions previously carried out by the Supervisory Board nevertheless remain valid.

If the number of the members of the Council becomes less than the statutory minimum, the Executive Board must immediately convene an Ordinary Meeting of Shareholders to appoint members to complete the Council.

A member of the Supervisory Board appointed to replace another member shall only remain in office for the remaining term of office of his predecessor.

V. Each member of the Supervisory Board must own one share in the Company.

If a member of the Supervisory Board does not own the required number of shares on the date of his appointment or if, during his term of office he ceases to own such number, he shall be deemed to have automatically resigned if he has not rectified this situation within six months.

ARTICLE 18 – Chairman and Vice-Chairman of the Supervisory Board

The Supervisory Board appoints, from among its natural person members, a Chairman and a Vice-Chairman, who are responsible for convening the Council and chairing the proceedings of the Council.

The Chairman of Supervisory Board also prepares a report presented during the annual Ordinary Meeting of Shareholders in compliance with the conditions provided by Article L. 225-68 paragraph 7 of the Commercial Code, providing details of the conditions in which the work of the Supervisory Board was prepared and organised, and describing the internal supervision procedures implemented by the Company, which is attached to the Executive Board' report.

The Chairman and Vice-Chairman exercise their duties during their term of office as members of the Supervisory Board. They may be re-elected.

The Council may also appoint a secretary who may be selected from outside the members of the Council and determine the duration of his term of office.

ARTICLE 19 – Deliberations of the Supervisory Board

I. The Supervisory Board meets as often as necessary in the interests of the Company and at least once every quarter to review the Executive Board' report. The meeting is convened by its Chairman or Vice-Chairman either at the registered office or at any place indicated in the notice of meeting. A member of the Executive Board, or at least one third of the members of the Supervisory Board, may submit a reasoned request for a Council meeting to the Chairman of the Supervisory Board by registered mail. The Chairman must convene a Council meeting not later than fifteen days from receipt of such request. If the meeting has not been convened within this time period, the persons who made the request may convene the meeting themselves, indicating the agenda of the meeting.

The Supervisory Board cannot deliberate validly unless at least half its members are present.

Members of the Supervisory Board may participate and vote at Council meetings by video-conference or other means of telecommunication in accordance with the statutory and regulatory provisions applicable thereto. However, voting by video-conference is not allowed for decisions concerning the verification and supervisions of financial statements.

Any member of the Supervisory Board may be represented by another member of the Supervisory Board at Supervisory Board deliberations. Each member of the Supervisory Board may receive only one proxy.

Decisions are made by a majority of those present or represented, and each member has one vote.

In the event of a tie, the Chairman has the tiebreaking vote.

Evidence of the number of members of the Supervisory Board in office and their appointment may be validly provided with respect to third parties on the simple basis of the statement in the minutes of each meeting of the names of the members that are in attendance, represented or absent.

II. The deliberations of the Supervisory Board are recorded in minutes kept in a special register.

Such minutes are signed by the Chairman of the meeting and by at least one member of the Supervisory Board. If the Chairman of the meeting is unable to do so, the minutes are signed by at least two members of the Supervisory Board.

Copies or extracts of such minutes are validly certified by the Chairman or Vice-Chairman of the Supervisory Board, a member of the Executive Board or an agent duly appointed for the purpose thereof.

After the Company is wound up, copies or extracts shall be certified by one of the liquidators or by the sole liquidator.

ARTICLE 20 – Powers of the Supervisory Board

I. The Supervisory Board exercises constant supervision of the management of the Company by the Executive Board.

II. The Supervisory Board may carry out verifications or supervision which it considers suitable at any time during the year, and may request documents to be provided to it which it considers useful for the carrying out of its duties.

It receives a report from the Executive Board at least once every quarter.

The Executive Board presents the annual financial statements and a written management report to the Supervisory Board within three months of the end of each financial year, for the purposes of verification and supervision.

The Supervisory Board presents the Ordinary Annual Meeting of Shareholders with its comments on the report of the Executive Board and the financial statements for the year.

The Supervisory Board also exercises the attributions expressly granted to it by statute.

The Supervisory Board may appoint one or more of its members as special agents for one or more determined purposes.

The Supervisory Board may create committees in charge of reviewing issues on which it or its Chairman wish an opinion.

ARTICLE 21 – Remuneration of Members of the Supervisory Board

I. The Meeting of Shareholders may allocate a fixed annual amount in directors' fees to members of the Supervisory Board in remuneration for their duties. The Supervisory Board may distribute such remuneration among its members as it sees fit.

II. The Supervisory Board may also allocate exceptional remuneration for missions entrusted to its members. In such case, the remuneration is subject to the provisions of Article 22 hereafter.

III. Members of the Supervisory Board may not receive any other fixed or exceptional remuneration other than those referred to in paragraphs I and II above.

ARTICLE 22 – Regulated Agreements

I. Any agreement entered into between the Company and any of the members of the Executive Board or Supervisory Board, a shareholder with more than 10% of the voting rights or, in the case of a corporate shareholder, the company controlling it within the meaning of Article L. 233-3 of the Commercial Code with more than 10% of the voting rights, is subject to the prior approval of the Supervisory Board.

The same rule applies to agreements in which one of the persons referred to in the previous paragraph has an indirect interest or for which it has dealt with the Company through an intermediary.

Agreements between the Company and an enterprise are also subject to prior approval if one of the members of the Executive Board or the Supervisory Board of the Company is the owner, a partner with unlimited liability, a manager, director, director general, member of the Executive Board or Supervisory Board of such enterprise, or more generally is in charge of managing such enterprise.

The prior approval of the Supervisory Board is substantiated by justifying of the interest of entering the agreement for the Company, in particular by specifying the financial conditions that apply thereto.

The preceding provisions do not apply to agreements entered into in the ordinary course of business and under normal conditions, nor to agreements entered into between two companies, one of which holds, directly or indirectly, the entire share capital of the other company, excluding if applicable the minimum number of shares necessary to comply with the requirements of Article 1832 of the French Civil Code or Articles L. 225-1 and L. 226-1 of the French Commercial Code.

The member of the Executive Board or Supervisory Board concerned must inform the Supervisory Board as soon as he becomes aware of an agreement subject to approval. If he is a member of the Supervisory Board, he cannot take part in the vote of approval.

The Chairman of the Supervisory Board must inform the statutory auditor of all authorised agreements to and submit them for approval to the Meeting of Shareholders.

II. The statutory auditors present a special report on such agreements to the Meeting of Shareholders which will decide on these agreements.

The person concerned cannot take part in the vote and the shares he holds are not included in the calculation of the quorum or the majority.

The agreements entered into and authorized in previous years and which have continued during the last year shall be reviewed annually by our Supervisory Board and must be reported to our statutory auditors for the purpose of establishing their report.

ARTICLE 23 – Panel of Censors

An Ordinary Meeting of Shareholders may appoint one or more censors at its discretion, who may be natural persons or legal entities, and may be shareholders or non-shareholders, for a term of office expiring at the shareholders meeting convened to decide on the financial statements for the preceding financial year after the first anniversary date of their appointment. This appointment may be renewed an unlimited number of times.

Censors that are legal entities are represented by their legal representatives or by any natural person duly authorised for this purpose.

Censors are convened to and take part in all the meetings of the Supervisory Board and have a consultative vote, according to the same methods as those that apply to members of the Supervisory Board. They are entitled to the same information and communication as members of the Supervisory Board and are bound by the same obligations of confidentiality and discretion.

ARTICLE 24 - Obligation of Confidentiality and Liability

I. Members of the Executive Board and the Supervisory Board, as well as any person convened to attend the meetings of these bodies, are bound by complete discretion with respect to confidential information and provided as such by the Chairman of the Executive Board or as the case may be, the Supervisory Board.

II. Members of the Executive Board and the Supervisory Board are liable towards the Company or third parties, in accordance with their respective attributions, for breaches of statutory provisions governing limited liability companies, breaches of these articles of association and faults committed in the exercise of their duties, subject to the conditions and the sanctions provided by the legislation in force.

TITLE V

STATUTORY AUDITORS

ARTICLE 25 - Statutory Auditors

One or more statutory auditors perform an audit of the Company, in the accordance with statutory requirements.

The Statutory Auditors are appointed by the Ordinary Meeting of Shareholders on proposal by the Supervisory Board, for six financial years. They may always be re-appointed. They may be dismissed by the aforesaid Meeting of Shareholders in the event that they commit a fault or are prevented from carrying out their duties.

An Ordinary Meeting of Shareholders appoints one or more substitute Statutory Auditors to replace the Statutory Auditors in the case of death, prevention or refusal to carry out its duties.

If the Meeting of Shareholders does not appoint the Statutory Auditor(s) or if one or more appointed Statutory Auditors are prevented or refuse to carry out their duties, they, or their replacement(s), are appointed by an order of the Commercial Court with jurisdiction over the area in which the Company is based on petition of any interested person, with the Executive Board duly convened.

The Statutory Auditor appointed by the Meeting of Shareholders to replace another shall only remain in office for the remaining term of office of his predecessor. If the Meeting of Shareholders appoints several Statutory Auditors, they may act together or separately but they must draft a joint report.

One or more shareholder(s) with a shareholding of at least 5% may apply to the courts to dismiss one or more of the Statutory Auditors appointed by the Meeting of Shareholders and request the appointment of one or more Statutory Auditors who will exercise their duties instead of them. If their request is granted, the Statutory Auditors so appointed shall exercise their duties until the Statutory Auditors appointed by the Meeting of Shareholders take up their posts.

The Statutory Auditors certify that the annual financial statements are in due form and give a true and fair view of the result of the operations of the preceding financial year, and of the financial situation and assets and liabilities of the Company at the end of that financial year.

Their permanent role, without exercising any interference with management, is to verify the company's worth and financial documents and to ensure that its accounting is in compliance with the rules in force. They also verify that the information contained in Executive Board management report and in the documents provided to shareholders on the financial situation and annual

accounts is fair and consistent with the annual accounts. The Statutory Auditors ensure that equality among shareholders has been complied with.

The Statutory Auditors may, at any time during the year, carry out any verification or supervision they consider suitable and collect any information from third parties who have carried out assignments on behalf of the Company.

The Statutory Auditors prepare a report for the Meeting of Shareholders on the performance of their assignment. The Statutory Auditors attach a report to the aforesaid report, presenting their comments on the report referred to in Article L. 225-68 paragraph 7 of the Commercial Code with respect to internal supervision procedures relating to the preparation and treatment of accounting and financial information. They also prepare a special report on the agreements referred to in Article 22 of these Articles of Association.

The Statutory Auditors are invited to attend the Executive Board meeting at which the financial statements for the preceding financial year are approved, as well as to all Meeting of Shareholders. They may convene a Meeting of Shareholders under the conditions provided by statute.

TITLE VI

SHAREHOLDERS' MEETINGS

A –Provisions Applying to all Meetings of Shareholders

ARTICLE 26 - Meetings

A duly constituted Meeting of Shareholders represents all the shareholders.

Its deliberations effected in accordance with the law and the articles of association are binding on all the shareholders, even those who were absent, dissenting or without legal standing.

There are three kinds of meeting, depending on the purpose of the proposed resolutions:

- Ordinary Meeting of Shareholders,
- Extraordinary Meeting of Shareholders,
- Special Meeting of Shareholders of holders of a specific category of share.

ARTICLE 27 – Convening Meetings

Shareholders' Meetings are convened by the Executive Board, or failing that, the Supervisory Board. They may also be convened by the Statutory Auditor(s) or by an agent appointed by the court in accordance with the procedures and conditions provided by statute.

During liquidation, Shareholders' Meetings are convened by the liquidator.

Shareholders' Meetings are held at the registered office or in any other place indicated in the convocation notice.

Notice of the meeting is published in the Bulletin des Annonces Légales Obligatoires (BALO) (Mandatory Legal Notice Bulletin) at least thirty-five days prior to which a meeting is held. In addition to the information relating to the Company, it also, in particular, sets out the agenda of the Meeting and the draft text of the resolutions which will be proposed. Subject to particular legal requirements, requests for the inclusion of draft resolutions on the agenda must be sent at the latest on the publication date of the notice of the meeting and up to twenty-five days prior to the Shareholders' Meeting; this deadline is twenty days from the publication date of the notice when the notice is published more than forty-five days prior to the Shareholders' Meeting.

Shareholders' meetings are held at the registered office or in any other place indicated in the invitation.

Subject to particular legal requirements, invitations to meetings are made at least fifteen days prior to the date of the meeting by a notice published in both the legal notice journal of the administrative department in which the registered office is located and in the Bulletin des Annonces Légales Obligatoires (BALO).

However, holders of registered shares having held shares for at least one month as at the date of the last of the published notices must be convened individually by ordinary letter (or by registered letter if they have requested this and advanced the costs) sent to their last known address. Such notice may also be sent by electronic communication instead of such postal dispatch, to any shareholder who has so requested beforehand by registered mail return receipt requested, in accordance with statutory and regulatory requirements, indicating his email address. Such shareholder may send a request to the Company at any time by registered letter with acknowledgement of receipt for the aforementioned method of telecommunication to be replaced by postal dispatch in the future.

The invitation should contain the following information:

- the identity of the Company;
- the date, time and place of the meeting;
- the nature of the meeting; and
- the agenda of the meeting.

It must also state the conditions in which shareholders may vote by correspondence and the place and conditions pursuant to which they may procure forms for voting by correspondence.

The invitation may be sent, as the case may be, together with proxy form and a correspondence voting form, pursuant to the conditions set out in Article 30. I of these Articles of Association, or with a correspondence voting form only, pursuant to the conditions set out in Article 30. II of these Articles of Association.

If a Shareholders' Meeting has not been able to deliberate due to the required quorum not being reached, a second Shareholders' Meeting is convened with at least ten days' advance notice, in the same manner as the first meeting. The invitation notice or letters for such second Shareholders' Meeting state the date and agenda of the first meeting.

ARTICLE 28 - Agenda

The agenda of a Meeting of Shareholders is decided by the person convening the meeting.

One or more shareholders representing at least the percentage of share capital determined by statute and acting pursuant to statutory conditions and within statutory time periods, may request items or draft resolutions to be included on the agenda of the Meeting by registered mail with confirmation of receipt.

The Meeting of Shareholders cannot deliberate on an issue which has not been included on the agenda and such agenda cannot be modified on second convocation of a Meeting of Shareholders. The Meeting of Shareholders may, however, in any circumstances, dismiss one or several members of the Supervisory Board and effect their replacement.

ARTICLE 29 – Participation of Shareholders in Meeting of Shareholders

All shareholders are entitled to attend Shareholders' Meetings and take part in deliberations:

- (i) either personally; or
- (ii) by giving a proxy to another shareholder or to his spouse; or
- (iii) by sending a blank proxy to the Company; or
- (iv) by voting by correspondence; or
- (v) by videoconference or by another means of telecommunication in accordance with the applicable statutory and regulatory provisions.

Participation in shareholders' meetings in any manner is dependent on the registration or inscription of shares under the conditions and within the deadlines set in the current regulations.

The final date for the return of correspondence voting forms is determined by the Executive Board and indicated in the notice of the meeting published in the Bulletin des Annonces Légales et Obligatoires (BALO). This date cannot be prior to three days before the Shareholders' Meetings.

If a shareholder is present at a Shareholders' Meeting, any prior vote by correspondence will have no effect for the purposes of the aforesaid Shareholders' Meeting.

If both a proxy form and a correspondence voting form are returned, the proxy form will be taken into account, subject to the votes expressed in the correspondence voting form.

ARTICLE 30 – Representation of Shareholders

I. Any shareholder may be represented at Meeting of Shareholders by another shareholder, his spouse, his partner in a civil union or any other natural or legal person of his choice through a proxy form sent to the shareholder by the Company:

- either at his request, sent to the Company by any means. This request must have been received at the registered office at least five days prior to the Meeting of Shareholders; or
- at the initiative of the Company.

The following must be attached to any proxy form sent to shareholders by the Company, for each Meeting of Shareholders:

- the agenda of the Meeting;
- the draft resolutions presented by the Executive Board and, as the case may be, by shareholders pursuant to statutory conditions;
- a brief summary of the Company's situation during the preceding financial year together with a table indicating the results of the Company over the past five financial years, presented in accordance with regulatory provisions;
- a form requesting the documents to be sent as provided by the regulations in force; and
- a form for correspondence voting.

A proxy given by a shareholder is only valid for one Meeting of Shareholders or for Meetings of Shareholders convened successively with the same agenda. A proxy may also be given for two Meetings of Shareholders, one Ordinary and the other Extraordinary, which are held on the same day or within fifteen days.

II. Any shareholder may vote by correspondence through a voting form sent to him by the Company:

- at his request, sent to the Company by registered mail with confirmation of receipt. This request must have been received at the registered office at least six days prior to the Meeting of Shareholders; or
- at the initiative of the Company; or
- in an appendix to the proxy form in the conditions set out in Article 30. I above.

The following must be attached to any correspondence voting form sent to shareholders by the Company:

- the draft resolutions proposed together with a summary of the reasons and an indication of the author of the resolutions;
- a form for sending the documents as provided by the regulations in force; and
- a brief summary of the Company's situation during the preceding financial year together with a table indicating the results of the Company over the past five financial years, presented in accordance with regulatory provisions, in the case of an Ordinary Meeting of Shareholders deciding on the accounts.

A correspondence voting form sent by a shareholder is only valid for one Meeting of Shareholders or for Meeting of Shareholders convened successively with the same agenda.

ARTICLE 31 – Attendance Register

An attendance register is kept for each Meeting of Shareholders containing the information required by law.

This attendance register, duly signed by the shareholders that are present, the agents and shareholders participating by video-conference or by another means of telecommunication in compliance with statutory and regulatory requirements, and to which are attached the powers of attorney granted to each agent and, as the case may be, the correspondence voting forms, is certified by the secretariat of the Meeting of Shareholders.

Meeting of Shareholders are chaired by the Chairman of the Supervisory Board, the Vice-Chairman or a member of the Supervisory Board delegated for such purpose by the aforesaid Council. Failing that, the Meeting of Shareholders elects its Chairman itself.

The two shareholders present with the greatest number of votes both on in their own right and as agents, and who accept such assignment, shall act as vote tellers.

The secretariat composed as such appoints a Secretary, who may be selected from outside of the shareholders.

ARTICLE 32 – Quorum

In Ordinary and Extraordinary Meeting of Shareholders, the quorum is calculated on the basis of all the shares making up the share capital and, in Special Meeting of Shareholders, all the shares of the relevant category, less shares stripped of their voting rights pursuant to statutory provisions.

The voting rights attached to shares are proportional to the portion of share capital which they represent. Each share entitling its holder to an interest in the capital or to beneficial enjoyment carries one vote.

In the case of a vote by correspondence, only completed forms received by the Company at least three days prior the Meeting of Shareholders shall be taken into account for the calculation of the quorum.

Forms which do not indicate which way to vote, or which indicate an abstention, are considered as negative votes.

ARTICLE 33 - Minutes

The deliberations of the Meeting of Shareholders are recorded in minutes drafted in a special register held at the registered office and signed by the members of the secretariat.

Copies or extracts of such minutes are certified either by the Chairman of Vice-Chairman of the Supervisory Board or by a member of the Executive Board or by the Secretary of the Meeting. If the Company is wound up, they may be validly certified by the liquidator(s).

ARTICLE 34 – Communication of Documents

Any shareholder is entitled to receive, and the Executive Board is bound to send or provide him with the documents he requires to come to an informed decision and have an informed judgement on the management and running of the Company.

The nature of these documents and the conditions in which they are sent or provided to shareholders are determined by regulations in force.

In exercising its right to receive documents, each shareholder or his agent may be assisted by a court-registered expert.

The exercise of the right to receive documents includes the right to make copies, except with respect to inventories.

**B – Provisions Specific to
Ordinary Meetings of Shareholders**

ARTICLE 35 – Ordinary Meeting of Shareholders

An Ordinary Meeting of Shareholders may make any decision other than one which directly or indirectly modifies the Articles of Association.

Ordinary Meetings of Shareholders are held at least once a year, within six months of the end of each financial year, to decide on the financial statements for such financial year, subject to the extension of such period by an order of the President of the Commercial Court on petition from the Executive Board.

They are called on an extraordinary basis every time it may be in interests of the Company to do so.

When convened for the first time, Ordinary Meetings of Shareholders can only make valid decisions if the shareholders that are present, represented or voting by correspondence hold at least one fifth of the shares carrying the right to vote.

When convened for the second time, there is no quorum requirement if the original agenda has not been modified.

Ordinary Meetings of Shareholders make decisions on the basis of the majority of the votes of the shareholders that are present, represented or voting by correspondence.

**C - Provisions Specific to
Extraordinary Meetings of Shareholders**

ARTICLE 36 – Extraordinary Meetings of Shareholders

An amendment to any provision of the Articles of Association and, in particular, the transformation of the Company into another form of company may only be decided by an Extraordinary Meeting of Shareholders. An Extraordinary Meeting of Shareholders cannot, however, increase the undertakings of shareholders, subject to operations as a result of regrouping shares in a due and proper manner.

When convened for the first time, Extraordinary Meeting of Shareholders can only make valid decisions if the shareholders that are present, represented or voting by correspondence hold at least a quarter of the shares carrying the right to vote, and when convened for the second time, one fifth of the shares carrying the right to vote. If the latter quorum is not obtained, the second Meeting may be adjourned for a maximum of two months from the date at which it was convened.

An Extraordinary Meeting of Shareholders makes decisions on the basis of a majority of two-thirds of the votes held by shareholders that are present, represented or voting by correspondence or participating in the Meeting by video-conference or another method of telecommunication in accordance with statutory and regulatory provisions.

By statutory derogation from the preceding provisions, if the share capital is increased by the incorporation of profits, reserves or issue premiums, the Extraordinary Meeting of Shareholders may make decisions at the quorum and majority required for Ordinary Meeting of Shareholders.

Moreover, where an Extraordinary Meeting of Shareholders is convened to deliberate on the approval of a contribution in kind or the grant of a specific benefit, the shares of the contributing party or beneficiary shall not be taken into account in calculating the majority. The contributing party or beneficiary cannot vote either in his own right or as an agent.

D - Provisions Specific to Special Meetings of Holders of a Category of Shares

ARTICLE 37 – Special Meeting

If there are several categories of shares, the rights attached to shares of any such category cannot be modified in any way without having been duly voted upon by an Extraordinary Meeting of Shareholders open to all shareholders and also having been voted upon by a Special Meeting open only to holders of the relevant category of shares.

When convened for the first time, Special Meetings of Shareholders can only make valid decisions if the shareholders that are present, represented, voting by correspondence or taking part in the Meeting by video-conference or any other means of telecommunication in accordance with statutory or regulatory provisions, hold at least a third of the shares carrying the right to vote, and when convened for the second time, one fifth of the shares carrying the right to vote and for which a modification of the attached rights is being proposed. Failing that, the second meeting may be adjourned by a maximum of two months from the date at which it was convened.

Special Meetings of Shareholders make decisions at a two-thirds majority of the votes of shareholders that are present or represented.

TITLE VII

FINANCIAL YEAR – ANNUAL FINANCIAL STATEMENTS

APPROPRIATION AND DISTRIBUTION OF PROFITS

ARTICLE 38 – Financial Year

The financial year begins on 1st January of each year and ends on 31st December.

ARTICLE 39 - Accounts

Accounts of corporate operations are kept in due form in accordance with the law and usual business practice.

At the end of each financial year, the Executive Board shall draw up an inventory of the various assets and liabilities as at such date. It shall also prepare the balance sheet describing the assets and liabilities, the income statement summarising the income and charges for the financial year and the notes to the financial statements which complete and comment on the information provided in the balance sheet and income statement.

The Executive Board shall present such documents to the Supervisory Board within three months of the end of the financial year, for the purposes of verification and supervision.

It shall prepare the management report on the situation of the Company during the preceding financial year.

All such documents shall be made available to the Statutory Auditors pursuant to the conditions specified by law.

ARTICLE 40 – Appropriation of Profits

The income statement which summarises the income and charges for the financial year, after depreciation and provisions have been deducted, indicates the profit or loss of the financial year by setting forth the difference between these two amounts.

Five per cent. of the year's profit less previous losses, as the case may be, is allocated to the statutory reserve. Such allocation shall no longer be necessary once the aforesaid reserve reaches one tenth of the share capital, but will become necessary again if for any reason whatsoever the reserve falls below one tenth.

Distributable earnings consist of the net income of the financial year, less previous losses and amounts added to the reserve in accordance with the law or the Articles of Association, plus retained earnings.

Moreover, the Meeting of Shareholders may decide to distribute amounts deducted from the reserves which are available to it, expressly indicating the reserves from which the withdrawals are to be made. However, dividend is paid out in priority from the distributable income of the financial year.

Except in the case of a reduction in share capital, no distribution may be made to shareholders if shareholders' equity is, or would become as a result of such distribution, less than the share capital plus the reserves which the law or the Articles of Incorporation do not allow to be distributed.

After the financial statements have been approved and the existence of distributable income has been acknowledged, the Meeting of Shareholders shall determine the part to be allocated to shareholders as dividends, in proportion to the number of shares held by each.

However, after the allocation of the amounts required by law to the reserve, the Meeting of Shareholders may decide to allocate all or part of the distributable income to a retained earnings account or to any general or special reserve account.

Any losses are deducted from profits from previous years until such losses are extinguished or they are carried over.

The Executive Board may decide to distribute interim dividends prior to the approval of the financial statements of the financial year, pursuant to the conditions determined or authorised by law. The amount of such instalments cannot exceed the amount of earnings as defined by law.

ARTICLE 41 - Dividends

I. The procedure for the payment of dividends is determined by the Meeting of Shareholders or, failing that, by the Executive Board. However, payment must be made within a maximum of nine months after the end of the financial year, unless such period is extended by court decision.

Shareholders may not be required to reimburse any amount of dividends unless the distribution of dividends was in violation of law.

Claims for dividends made more than five years after they have been made available for payment shall time-barred.

II. The Meeting of Shareholders convened to approve the financial statements for the financial year may grant shareholders the option of dividends or interim dividends being paid in cash or in shares issued by Company, in whole or in part, in accordance with the conditions set out or authorised by law.

TITLE VIII

SHAREHOLDERS' EQUITY FALLING BELOW ONE-HALF OF THE SHARE CAPITAL

ARTICLE 42 – Early Winding Up

If the Company's shareholders' equity falls below one-half of the share capital as a result of losses recorded in the financial statements, the Executive Board must convene an Extraordinary Meeting of Shareholders within four months of the approval of the financial statements which recorded such loss to decide whether to wind up the Company.

If it is not decided to wind up the Company, the share capital must be reduced by an amount equal to the recorded losses, within a period determined by law, if shareholders' equity has not reached at least one-half the amount of the share capital again within such period.

In either case, the decision of the Meeting of Shareholders shall be published according to regulatory conditions.

The reduction of share capital to an amount below the statutory minimum can only be decided subject to the condition precedent of a share capital increase to at least the statutory minimum.

If the provisions of one or more of the foregoing paragraphs are not complied with, any interested party may apply to the courts for the Company to be wound up. This rule also applies if the shareholders are unable to deliberate validly.

However, the court may not wind up the Company if on the day of issue of a judgment on the substance of the matter the situation has been rectified.

TITLE IX

WINDING-UP – LIQUIDATION

ARTICLE 43 – Winding Up

The Company shall be wound up on expiry of the term determined in the Articles of association, unless this is extended, or pursuant to a decision of an Extraordinary Meeting of Shareholders.

The Company may also be wound up at the request of any interested party, where the number of shareholders has dropped to under seven for more than one year. In such case, the court may grant the Company a maximum of six months in which to rectify the situation. It cannot wind up the Company if on the day it issued judgment on the substance of the matter, the situation has been rectified.

The Company shall be in liquidation as from the date on which it is wound up, for any reason whatsoever.

Winding up will cause the terms of office of members of the Executive Board to terminate. The Supervisory Board and Statutory Auditors shall continue to operate.

Meeting of Shareholders shall retain the same powers as during the life of the company.

The Meeting of Shareholders which decides to wind up the company shall determine the procedure for liquidation and appoint one or more liquidators and determine their powers. The liquidator(s) shall exercise their duties in accordance with the law in force.

The Company shall continue to have legal personality for the purposes of and until the completion of its liquidation. However, its corporate name should be followed by the words "Company in liquidation" as well as the name(s) of the liquidator(s) on any instruments or documents issued by the Company to third parties.

Shares remain negotiable until the completion of liquidation.

After liabilities have been cleared, the net proceeds of liquidation are applied to the full repayment of paid up non-depreciated shares.

Any surplus shall be distributed among the shareholders in proportion to the number of shares held by each of them.

TITLE X
DISPUTES

ARTICLE 44 - Disputes

Any dispute which may arise during the life or liquidation of the Company, either between shareholders and the Company or between the shareholders themselves, concerning corporate matters, shall be resolved in accordance with the law and submitted to the jurisdiction of the competent courts at the registered office.

To this effect, in the case of a dispute, any shareholder is bound to designate an address for service of process within the area of jurisdiction of the court of the Company's registered office, any writs or notifications shall be validly issued to that address.

If an address for service of process is not designated, writs or notifications shall be validly issued to the Public Prosecutor of the Court of First Instance in the area of the registered office.