This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

INNATE PHARMA

French limited liability company with an Executive board and a Supervisory board *(société anonyme à directoire et conseil de surveillance)*

with social capital of €2,700,537.7

Divided into 54 010 754 shares with a nominal value of € 0.05

Registered office: 117 Avenue de Luminy 13009 Marseille

Marseille Company and Trade Register under number 424 365 336

EXECUTIVE BOARD MANAGEMENT REPORT
ANNUAL CONSOLIDATED AUDITED ACCOUNTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016

Ladies, Gentlemen,

Shareholders,

In accordance with Articles L.225-100 and L.225-100-2 of the French Commercial Code, our report on the audited accounts for the fiscal year ending December 31, 2016 is given below, together with the other information that must be provided in the context of the annual management report.

The consolidated accounts for the fiscal year ending December 31, 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.

This report, those of the external auditors, the consolidated audited accounts under IFRS, the Company accounts under French rules and the additional reports which are referred to in this report have been provided in line with the conditions and timescales stipulated in the by-laws and with applicable law.

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

I. Analysis of changes in the business, financial results and cash position of the Company

1. Position and activities of the Company during the fiscal year 2016

Innate Pharma (the "Company ") develops first-in-class therapeutic antibodies that harness the innate immune system to improve cancer treatment and clinical outcomes for patients. The Company specializes in immuno-oncology, a new therapeutic field that is changing cancer treatment by mobilizing the power of the body's immune system to recognize and kill cancer cells.

The Company has pioneered the discovery and development of checkpoint inhibitors to activate the innate immune system. The Company's innovative approach has resulted in three first-in-class, clinical-stage antibodies targeting natural killer cell receptors that may address a broad range of solid and hematological cancer indications as well as additional preclinical product candidates and technologies. Targeting receptors involved in innate immunity also creates opportunities for the Company to develop therapies for inflammatory diseases.

Main achievements of the R&D programs, progress made and difficulties encountered

In 2016, the Company continued to make progress in all its strategic areas, notably in clinical and preclinical developments. In the fourth quarter, clinical investigators presented preliminary data from ongoing clinical trials with the three clinical-stage antibodies: lirilumab, monalizumab and IPH4102. At the beginning of 2016, the Company broadened its preclinical portfolio with two new programs targeting the tumor microenvironment (IPH52 and IPH53) and advanced in the building of a proprietary bispecific antibodies technology.

At the end of the year, the Company announced the appointment of Mr Mondher Mahjoubi as Chairman of Innate Pharma's Executive board (CEO), succeeding Mr Hervé Brailly who became Chairman of the Supervisory boardboard. Governance changes aim at driving the Company strategy towards late-stage development. As part of the governance changes, Mrs Laure-Hélène Mercier has been appointed as Chief Financial Officer. She was previously EVP, Finance, in charge of financial operations and, before that, Head of Investor Relations. Mrs Catherine Moukheibir, Senior Advisor for financial strategy, left the Executive board but remains bound to the Company by a consultant agreement.

During the first quarter of 2017, the Company announced top-line results from the EffiKIR trial, a randomized, double-blind, placebo-controlled Phase II trial testing the efficacy of lirilumab as a single agent maintenance treatment in elderly patients with acute myeloid leukemia in first complete remission.

Lirilumab (anti-KIR antibody), licensed to Bristol-Myers Squibb:

- Phase I and II trials program testing lirilumab in several combination in a variety of solid and hematological malignancies:

In the second half of 2016, several sets of clinical data were presented on lirilumab:

In October 2016, at ESMO[1] 2016 conference, clinical investigators from the Memorial Sloan-Kettering Cancer Center, New York, US, presented safety data from two Phase I studies conducted by Bristol-Myers Squibb, testing lirilumab in combination with nivolumab or ipilimumab, respectively, in patients with advanced refractory solid tumors. The safety profile of lirilumab and nivolumab was similar to that observed with nivolumab monotherapy, with the exception of low-grade and clinically manageable infusion-related reactions. In the limited population (22 patients) studied for the combination of lirilumab and ipilimumab, there did not appear to be additional safety concerns compared to ipilimumab monotherapy.

[1] European Society for Medical Oncology

In November 2016, at a late-breaking oral presentation at the SITC[2] annual meeting, clinical investigators from the Earle A. Chiles Research Institute, Oregon, US, presented an interim efficacy analysis pertaining to a cohort of patients with squamous cell carcinoma of the head and neck (SCCHN) from the Phase I/II trial testing lirilumab with nivolumab in solid tumors. The data marked the first report of the potential efficacy of an anti-KIR antibody in combination with a PD-1 pathway blocker. The objective response rate (ORR), a secondary endpoint measured by Response Evaluation Criteria In Solid Tumors (RECIST), among 29 evaluable patients was 24% (7/29), with complete responses in 10% of patients (3/29), including confirmed and unconfirmed responses. Seventeen percent (5/29) of these evaluable patients had deep responses, with reductions in tumor burden greater than 80%. Early signals of enhanced clinical benefit were observed in PD-L1 positive tumors, with an ORR of 41% (7/17) in patients with $\geq$1% PD-L1 expression.

In December 2016, at the ASH[3] annual conference, clinical investigators from the MD Anderson Cancer Center, Texas, US, presented preliminary safety data from the Phase Ib/II testing lirilumab in combination with 5-azacitidine in a heavily pretreated patient population with relapsed acute myeloid leukemia. The combination showed a good safety profile, full doses of lirilumab and 5 azacitidine were well tolerated and no dose-limiting toxicities were observed. The preliminary efficacy data for 25 evaluable patients showed a response rate of 20%, including two patients that achieved a complete response or complete response with insufficient count recovery and three patients that achieved hematologic improvement.

- Milestone payment from BMS

In January 2017, the Company announced that, per the licensing agreement for lirilumab, Bristol-Myers Squibb has paid Innate Pharma a US$15 million milestone payment for the continued exploration of lirilumab in combination with nivolumab. This milestone payment followed the presentation at the SITC annual meeting (November 2016) of encouraging preliminary activity results from the cohort of patients with squamous cell carcinoma of the head and neck (SCCHN) of a Phase I/II trial.

- EffiKIR (double-blind placebo-controlled randomized Phase II trial of lirilumab as a maintenance treatment in elderly patients with acute myeloid leukemia (AML) in first complete remission - IPH2102-201 trial):

Results on the primary efficacy endpoint, leukemia-free survival, were announced during the first quarter of 2017 (see "post period events" section).

Monalizumab (IPH2201, anti-NKG2A antibody):

The initial development plan of monalizumab includes a Phase I combination clinical trial with durvalumab in solid tumors performed by AstraZeneca as well as multiple Phase I/II trials planned by Innate to study monalizumab both as monotherapy and in various combinations with currently approved treatments across a range of cancers.

The clinical trial testing monalizumab in combination with durvalumab in patients with solid tumors started in February 2016. At the AACR annual meeting 2016 in April 2016, the Company presented preclinical data demonstrated enhanced anti-tumor efficacy and survival by combining PD-1/PD-L1 pathway blockade and NKG2A checkpoint inhibitor. These data provided *in vivo* preclinical validation of the rationale for the ongoing clinical trial investigating monalizumab in combination with durvalumab.

During the first half of 2016, the Phase I/II trial testing monalizumab as a single agent in patients with high-grade ovarian cancer has been extended to two additional cohorts of patients with epithelial endometrial cancer and squamous cell carcinoma of the cervix (up to 98 patients for all cohorts). At the

[2] Society for Immunotherapy of Cancer
[3] American Society of Hematology

EORTC-NCI-AACR[4] Molecular Targets and Cancer Therapeutics Symposium in November 2016, clinical investigators from the Canadian Cancer Trials Group (CCTG) presented the first data from the dose-ranging part in 18 patients with advanced ovarian cancer. The data showed that monalizumab was well tolerated with no dose-limiting toxicities observed. Adverse events were mostly low grade and rarely resulted in treatment delays. Preliminary efficacy data showed short-term disease stabilization in 41% of patients, including one patient with a mixed response.

During the second half of 2016, the Company closed a Phase I/II trial testing monalizumab in head and neck cancers in a preoperative setting. The decision to stop this trial was due to slow enrollment and not based on any safety considerations.

IPH4102 (anti-KIR3DL2 antibody):

In December 2015, a first patient was dosed in the Phase I clinical trial of IPH4102 in patients with relapsed/refractory Cutaneous T Cell Lymphoma (CTCL). In June 2016, Professor Martine Bagot, Head of the Dermatology Department at the Saint-Louis Hospital in Paris, discussed the protocol of the ongoing first-in-human study of IPH4102 at the 2016 ASCO[5] annual meeting in Chicago, USA.

Clinical investigators presented encouraging preliminary data on the first seven dose levels (0.0001 to 1.5 mg/kg, 16 patients) at the 3WCCL[6] conference in October 2016 and at the ASH conference in December 2016. The preliminary safety data showed that IPH4102 was well tolerated and no dose-limiting toxicity was observed. The majority of adverse events was typical for CTCL or reflected low-grade infusion reactions. The eighth dose level out of ten was completed without dose-limiting toxicity. Two additional dose levels remained to be evaluated.

The preliminary efficacy data showed signs of clinical activity with a global objective response rate of 38%. At the time of the presentation, the median response duration was at least 126 days and all responses were ongoing. Complete responses were seen in skin (two patients) and blood (three patients). The results of exploratory biological endpoints such as pharmacodynamics in skin and blood are in line with clinical activity results. The completion of the dose-escalation part of the trial is expected by the second quarter of 2017.

Preclinical portfolio and technologies:

- IPH4301 (anti-MICA/B):

In April 2016, the Company presented a new set of preclinical data further validating the potential of this first-in-class anti-MICA/B antibody IPH4301 at the AACR 2016 annual meeting. The data demonstrated dual mechanism of action of IPH4301, including tumor antigen targeting and immunomodulation.

The program has started IND-enabling studies during the first half of 2016.

- IPH52 (anti-CD39):

On January 10, 2016, Innate Pharma and OREGA Biotech announced that they entered into an exclusive licensing agreement by which OREGA Biotech granted Innate Pharma full worldwide rights to their anti-CD39 checkpoint inhibitors aiming at developing new first-in-class checkpoint inhibitors. In April 2016, Innate Pharma and OREGA Biotech presented preclinical data on IPH52, at the AACR 2016 annual meeting.

CD39 is a membrane-bound extracellular enzyme overexpressed on both regulatory T cells and several cancer types. It plays a major role in promoting immunosuppression through the pathway

[4] EORTC : European Organisation for Research and Treatment of Cancer ; NCI : National Cancer Institute ; AACR : American Association for Cancer Research

[5] American Society of Clinical Oncology

[6] Third World Congress of Cutaneous Lymphomas

degrading adenosine triphosphate (ATP) into adenosine. Within the tumor microenvironment, ATP promotes immune cell-mediated killing of cancer cells. In contrast, adenosine accumulation causes immune suppression and dysregulation of immune cell infiltrates resulting in tumor spreading. Blockade of CD39 may therefore stimulate anti-tumor immunity across a wide range of tumors.

The Company has generated a first-in-class anti-CD39 antibody which is currently in lead optimization.

- IPH53 (anti-CD73):

In April 2016, Innate Pharma presented data on a research program to develop a CD73 checkpoint inhibitor in oncology at the AACR 2016 annual meeting.

CD73 plays a major role in promoting immunosuppression through the pathway degrading ATP into adenosine. CD73 is active on the last step of the degradation pathway, where it is the enzyme that actually degrades AMP into adenosine. CD73-blockade could promote an anti-tumor immune responses across a wide range of tumors.

- Research collaboration and licensing agreement with Sanofi on new bispecific NK cell engagers in Immuno-Oncology:

On January 11, 2016, the Company and Sanofi announced that they have entered into a research collaboration and licensing agreement to apply the Company's new proprietary technology to the development of innovative bispecific antibody formats engaging natural killer (NK) cells to kill tumor cells through the activating receptor NKp46.

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

Post period events:

EffiKIR study:

In February 2017, the Company announced top-line results from the EffiKIR trial, a randomized, double-blind, placebo-controlled Phase II trial testing the efficacy of lirilumab as a single agent maintenance treatment in elderly patients with acute myeloid leukemia in first complete remission. The study did not meet its primary efficacy endpoint of leukemia-free survival ("LFS").

There was no statistically significant difference between either lirilumab arms and the placebo arm on the LFS nor on other efficacy endpoints. The adverse events encountered with lirilumab were consistent with its previously reported safety profile. Data analyses are ongoing and the full trial data will be submitted to a future medical conference and for publication.

Patents acquired and developed

In 2016, the Company filed fifteen new proprietary patent applications as well as thirty-three applications extending its existing proprietary patents (including seven PCTs (Patent Cooperation Treaties) and twenty-six national applications).

The Company has also filed three new patent applications co-owned with academic or industrial partners and thirteen patent applications for extensions to patents co-owned with academic or industrial partners, including two PCT and eleven national applications. The Company has also filedtwo patent applications for an extension to a patent held solely by its academic or industrial partners.

2. Future prospects and strategic directions

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

- Mature and expand its portfolio of proprietary products while maintaining its scientific focus on targeting immune regulation checkpoints and clinical activities in broad therapeutic fields with major medical needs (cancer) relying on its proprietary antibody technology platform;
- Progressively incorporate downstream steps in the value chain while keeping certain development rights and possibly marketing rights when they are compatible with the Company's financial and human capabilities;
- Search for partnerships to access development capabilities in order to maximize the potential of its products and to fund the Company's proprietary assets.

In the short term, the Company's revenue should come mainly from payments received under existing or newly signed collaboration and licensing agreements or capital increases.

The Company also expects to continue to receive grants, mainly from France and Europe, as well as research tax credits to support its operations. The Company's expenses should comprise research and development expenses, overhead and milestone payments to third parties that it is required to make under the terms of collaborative research, option or licensing agreements.

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

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

- The progress and success of its licensed programs which could trigger milestone payments from its partners;
- Progress made in the development of the Company's proprietary products, which could significantly affect the Company's research and development expenditures;
- Acquisition of intellectual property rights, assets or companies;
- Its ability to enter into collaboration and licensing agreements for its other products with other companies in its sector.

The information given in this section has also been given to the Works Council.

3. Business results during the fiscal year 2016

3.1 Consolidated financial statements

The consolidated financial statements for the fiscal year ended December 31, 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.

In addition to the Company's financial statements, the consolidated financial statements include those of the Company's wholly owned subsidiary, Innate Pharma Inc., registered in the United States.

Changes to the business and the assets and liabilities

The Company is still at the product development stage. Its business is still consuming cash. This situation should continue until the first drugs are marketed.

Until the 2015 fiscal year, the Company's net result was a loss. The 2016 fiscal year is the first period which the net result is profitable. Net results amount to 12.6 million euros of gain and 6.7 million euros of loss, respectively as of December 31, 2016 and December 31, 2015. This variance is due to:

i. The 38.3 millions euros increase in revenues resulting from the collaboration and licensing agreements. This variance mainly results from the increase in upfront payment received following the agreement

signed with AstraZeneca in April 2015 recognized as revenue (41.6 million euros and 12.1 million euros for the fiscal years 2016 and 2015, respectively). As a reminder, this payment was recognized as revenue following the progress of the clinical trials as required by the agreement. This variance is due to the increase in costs of monalizumab's clinical program in 2016 compared to 2015, in line with development plans; and on the other hand to the recognition of a milestone payment received from Bristol-Myers Squibb relating to the agreement signed in July 2011 (13.8 million euros) compared to a milestone payment of 4.5 million euros collected in 2015.

ii. The 22.2 million euros increase in operating expenses (58.2 million euros as of December 31, 2016 and 36.0 million euros as of December 31, 2015), this variance mainly resulting from the increase in subcontracting costs due to the development and progress of the preclinical and clinical portfolio (increase by 15.6 million euros), the rise in staff costs (increase by 2.7 million euros) and in non scientific fees (increase by 2.3 million euros).

Cash, cash equivalents and financial instruments increased from 235.9 million euros as of December 31, 2015 to 197.7 million euros as of December 31, 2016. This variance is consistent with the amount of operational cash flow used in the activity of the company

At the same time, the indebtedness (mainly due to the finance-lease for the Company's headquarters) increased from 3.8 million euros at December 31, 2015 to 5.3 million euros at December 31, 2016. This rise results from the fact that the purchase of several R&D materials and some refurbishment works carried out in the premises of the Company were financed through finance-lease contracts.

Details of the business results

Operating revenue

Revenue from collaboration and licensing agreements respectively amounted to 17.9 and 56.2 million euros for the fiscal years ended December 31, 2015 and 2016. The 2016 revenue results from the co-development and commercialization agreement signed with AstraZeneca in April 2015 (41.6 million euros of in revenue) and the licensing agreement signed with Bristol-Myers Squibb in July 2011 (15 million dollars or 13.8 million euros)

For the fiscal year ended December 31, 2015, recorded grants involve a grant amounting to 0.2 million euros related to the FP-7 European program. For the fiscal year ended December 31, 2016, the line item also includes a share of a grant under the FEDER plan. The share of FP-7 and FEDER grants amounts respectively 0.3 and 0.2 million euros for the year ended December 31, 2016.

For the fiscal years ended December 31, 2015 and 2016, the calculation of the research tax credit was based on 30% of the amount of eligible expenses for the fiscal year. As a reminder, since the 2015 fiscal year, the Company has reached the spending limits of subcontracting costs. This tax credit respectively amounted to 7.0 and 9.1 million euros for the fiscal years ended December 31, 2015 and 2016. This increase results from the inclusion in the basis of the research tax credit calculation of the depreciation expense relating to the anti-NKG2A intangible asset. This follows the decision of the Administrative Court of Bordeaux, who has validated the inclusion of this type of expense. The impact on the amount of the research tax credit amounts to 1.2 million euros.

Operating expenses

The cost of supplies and consumable materials amounted to 2.6 million euros and 2.9 million euros for the fiscal years ended December 31, 2015 and 2016. This line item is mainly composed of consumable materials for the laboratory activities.

Intellectual property expenses amounted to 1.2 million euros for the fiscal years ended December 31, 2015 and 2016. These expenses include the cost of filing and protecting patents (including patents acquired from third parties and where the agreements specified that Innate Pharma is responsible for the relevant costs) as well as the costs for obtaining an option or license for intellectual property. In accordance with IAS 38, considering the degree of maturity of the Company and the uncertainty that

exists as to the outcome of its research and development projects, intellectual property expenses are recorded in expenses.

We filed 61 and 66 patent applications respectively during the years ended December 31, 2015 and 2016 (initial applications or applications for extension, for patents held solely or in collaboration with others).

Other purchases and external expenses amounted to 17.7 million euros and 36.0 million euros during the fiscal years ended December 31, 2015 and 2016, broken down as follows:

	Year ended December 31,	
In thousands of euros	**2016**	**2015**
Subcontracting	28,329	12,705
Non-scientific consultancy	3,371	1,325
Leases, maintenance and utility	1,418	987
Travel and conference costs	1,223	1,111
Scientific consultancy and services	585	753
Marketing, communication and public relations	508	356
Attendance fees	200	187
Insurance	140	114
Others	248	184
Other purchases and external expenses	**36,022**	**17,722**

Subcontracting expenses involve discovery research costs (financing research conducted externally, particularly academic research, antibody humanization technologies, manufacturing process development, etc.), pre-clinical development (pilot manufacturing, tolerance and pharmacology studies, etc.) and clinical costs (clinical trial management, etc.) outsourced to third parties. The increase in these costs mainly results from the rise and development of the portfolio of preclinical and clinical programs.

Non-scientific consultancy expenses are mostly fees paid to audit firms, to our certified public accountant for his assistance in accounting, tax and employee matters, to our lawyers for their assistance in negotiating collaboration and licensing agreements and general counselling assistance, to business strategy or development consultants and recruitment fees. The increase in these expenses between 2015 and 2016 mainly results from legal and audit fees in relation with the Company's structuring in a context of strong growth.

Leases, maintenance and utility costs are mainly maintenance costs for laboratory equipment and the building.

Travel and conference costs mainly include expenses for employees travelling and attending conferences, particularly scientific, medical, business development and financial conferences. The purpose of the Company's participation in these meetings is to maintain its visibility, expertise, and credibility with respect to the players within these different communities.

Scientific consultancy and services consist of costs related to outside consultants assisting in the research and development of our products. It also covers fees paid to members of our Scientific committee. The decrease in these costs between 2015 and 2016 is mostly explained by the non renewal of a consultant contract.

Marketing, communications and public relations costs cover fees for our communication and public relations consultants, costs of developing and producing communication tools, such as our website and business reports.

Employee benefits other than share-based remuneration

Employee benefit expense other than share-based remuneration came to 10.1 million euros and 12.8 million euros for the fiscal years ended December 31, 2015 and 2016.

This includes salaries and social benefit costs. On average, Innate Pharma had 109 employees during the fiscal year ended December 31, 2015 and 133 employees during the fiscal year ended December 31, 2016.

The average amount of staff costs per employee was 93 and 96 thousand euros for fiscal years ended December 31, 2015 and 2016.

Share-based compensation

In accordance with IFRS 2, these costs correspond to the fair value of the equity instruments allocated to directors and employees. The costs recognized in 2015 result from the issuance during the fiscal year of warrants for shares (and free shares in 2015) not including a condition requiring presence. As a consequence, the fair value of these instruments were not deferred but have been recognized as expenses in the income statement foran amount of 1.0 million euros. The costs recognized in 2016 result from the inssuance during the fiscal year of warrants for shares including a condition requiring presence (acquisition periods of one or three years according to the instruments). As a result, the booking of the estimated fair value of the instruments was spread on a straight-line basis over a period of one to three years. The expense for the 2016 fiscal year amounts to 1.0 million euros.

Depreciation and amortization

Depreciation and amortization amounted to 2.7 and 3.3 million euros for the fiscal years ended December 31, 2015 and 2016 respectively. This variance mainly results from the amortization of the intangible asset relating to a price complement to be paid to Novo Nordisk A/S following the agreement signed with AstraZeneca. During the fiscal year 2015, the intangible asset was amortized over 7 months compared to the fiscal year 2016 that was amortized over 12 months (full year effect).

Net financial income

The net financial income amounted respectively to 4.1 million euros and 5.4 million euros for the fiscal years ended December 31, 2015 and 2016. This variance mainly derives from the gains and losses resulting from the variations of the EUR/USD exchange rate.

The Company's cash investment policy favours the minimum risk and, whenever possible, seeks guaranteed minimum performance on capital. Therefore it is preferentially directed to instruments with an absence of risk on principal and, wherever possible, guaranteed minimum performance. Only a small fraction if its investment portfolio (2.5% as of December 31, 2016) includes some financial instruments presenting a level of risk, which is considered as very low.

The balance of cash, cash equivalents and current and non-current short-term investments was 273.7 million euros and 230.7 million euros for the fiscal years ended December 31, 2015 and 2016, respectively.

Net result of the year

Under international accounting principles (IFRS), the net consolidated gain amounted to 12.6 for the fiscal year ended December 31, 2016 compared to a loss of 6.7 million euros for the fiscal years ended December 31, 2015.

3.2 Statutory financial statements (French GAAP)

The 2016 financial statements of the Company have been prepared in accordance with generally accepted accounting principles in France following the principles of conservatism, cut-off and going concern

The main differences with the consolidated financial statements mainly relate to the valuation of the share-based payments, which do not exist under French GAAP, the finance lease operations, considered as

simple leasing expenses under French GAAP, recognition of the "Contribution Sociale de Solidarité" following the adoption of IFRIC 21, recognition of the unrealized gains on financial assets, operations relating to the accelerated tax depreciation and the actuarial gains and losses relating to defined benefit obligations. At last, the consolidated financial statements include the result and the activity of all subsidiaries or participations.

The analysis of the accounting variances presented in the paragraph 2.1 of this document can be used for the analysis of the statutory financial statements of the Company.

Under French accounting principles, the result net profit amounts to 13.1 million euros for the year ended December 31, 2016, compared to a net loss of 6.8 million euros as of December 31, 2015.

The Company proposed to allocate the 2016 gain amounting to 13.1 million euros to the account «Retained earnings». After allocation of this loss, the account « Retained earnings » will represent losses having a cumulative amount of 98.0 million euros.

3.3 .Schedule of trade payables to suppliers

The following tables present the breakdown of the Company's trade payables by due date at December 31, 2015 and 2016:

Fiscal year ended December 31, 2015:

	Balance December 31, 2015	Overdue	Due in Jan-2015	Due in Feb-2015	Due in Mar-2015	Due > Mar 2015
Trade payables	2 800	1 166	1 529	105	0	0
Advances and debt towards suppliers	**-290**					
Accruals	12 091					
Trade payables and related accounts	**14 601**					

Fiscal year ended December 31, 2016

	Balance December 31, 2016	Overdue	Due in Jan-2017	Due in Feb-2017	Due > Feb 2017
Trade payables	2 667	152	2 074	442	0
Advances and debt towards suppliers	**-513**				
Accruals	12 807				
Trade payables and related accounts	**14 961**				

3.4 Schedule of repayment of financial liabilities

The following table shows the simplified schedule of repayment of financial liabilities (principal only) for the fiscal year ended December 31, 2016:

Schedule of repayment of financial liabilities	**< 1 year**	**2 – 5 years**	**> 5 years**	**Total**
BPI France	375	1,050	-	**1,425**
Finance lease – Real estate transaction	862	2,239	-	**3,101**
Finance lease – R&D equipment	171	697	464	**1,332**
Down-payment – Real estate transaction	(144)	(386)	-	**(530)**
Total	**1,263**	**3,600**	**464**	**5,327**

4. Table of the results for the last five fiscal years

The following table presents the Company's results under IFRS GAAP as adopted in the European Union, over the last five fiscal years:

	Years ended December 31,				
In thousands of euros	**2016**	**2015**	**2014**	**2013**	**2012**
Net result (loss)	12,640	(6,706)	(19,647)	(2,892)	(3,199)
Equity	86,169	72,067	74,626	40,286	23,364

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

The following table presents the Company's results (in French GAAP) over the last five fiscal years:

	2016	**2015**	**2014**	**2013**	**2012**
I. – Financial situation at year-end:					
a) Capital	2,696	2,692	2,649	2,287	1,897
b) Number of issued shares	53,921	53,834	52,970	45,736	37,936
c) Number of bonds convertible into shares	0	0	0	0	0
II. – Global result of the operations:					
a) Turnover excluding VAT	56,159	17,909	907	12,469	10,377
b) Net result before taxes, amortizations and provisions	7,274	(10,317)	(23,933)	(6,391)	(6,160)
c) Corporate tax	(301)	0	0	0	0
d) Net result after taxes, amortizations and provisions	13,071	(6,833)	(19,769)	(3,253)	(3,705)
e) Distributed profits	0	0	0	0	0
III. – Result of the operations for one share:					
a) Net result after taxes, but before amortizations and provisions	0.13	(0.06)	(0.32)	(0.14)	(0.16)
b) Net result after taxes, amortizations and provisions	0.24	(0.13)	(0.37)	(0.07)	(0.10)
c) Dividend paid per share	0	0	0	0	0
IV. - Personnel:					
a) Number of employees	154	118	99	84	82
b) Staff costs	8,201	6,851	5,315	4,644	4,228
c) Fringe benefits	3,918	3,353	2,600	2,302	2,158

Companies or group of companies	Capital	Reserves	Share of capital held (as a percentage)	Balance sheet value of the shares held	Loans and advances granted by the Company and not reimbursed
1. - INFORMATION TO BE PROVIDED WHEN THE COMPANY HAS NOT APPENDED TO ITS BALANCE SHEET A CONSOLIDATED BALANCE SHEET AND FINANCIAL STATEMENTS DRAWN UP IN ACCORDANCE WITH ARTICLE R. 233-3					
Not applicable					
"II. - INFORMATION TO BE PROVIDED WHEN THE COMPANY HAS APPENDED TO ITS BALANCE SHEET A CONSOLIDATED BALANCE SHEET AND FINANCIAL STATEMENTS DRAWN UP IN ACCORDANCE WITH ARTICLE R. 233-3					
"1. Subsidiary: Innate Pharma Inc.	1	(558,962)	100	0	567,196

II.- Risks and Uncertainties

The main risks and uncertainties to which the Company is exposed are described in Section V ("Risk Factors") of the Company's 2015 reference document, which will be filed with the French securities regulator, and will be available free of charge from the Company's website (www.innate-pharma.com) or the French securities regulator's website (www.amf-france.org). This document will include a description of the risks connected with the Company's activity, the financial risks, the legal risks, the risks associated with the environment in which it operates, and the market risks. It will also contain a description of the policy providing insurance and coverage against risks.

It is hereby stated that due to its low exposure to foreign exchange risk, the Company has not made any provision for coverage in this respect.

III. Authorizations for capital increases (article L.225-100 subparagraph 7 of the French Code of commere)

The following table summarizes the authority delegated to the Executive board by the Extraordinary General Meeting of the shareholders on June 2, 2016:

Delegations of authority granted to the Executive board by the General Meeting 2016	Maximum par value of the capital increase in euros	Duration of delegation	Use during the 2016 fiscal year in euros	Methods for determining the issue price
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, with shareholders' preferential subscription rights in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 et seq. of the French Commercial Code (except for preferred shares and securities giving access to the preferred share capital)	672,958[(2)]	26 months[(1)]	-	-
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, without shareholders' preferential subscription rights (through an offer to the public) in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Commercial Code (except for preferred shares and securities giving access to the preferred share capital).	672,958[(2]	26 months[(1)]	-	The issuance price is at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%-

Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, without shareholders' preferential subscription rights, as part of an offering covered by item II of Article L.411-2 of the French Monetary and Financial Code.	538,367 (2)	26months(1)	-	The issuance price is at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%.
Issuance of ordinary Company shares and securities giving access to the Company's share capital, as remuneration for contributions in kind comprising equity securities or securities giving access to the share capital in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-147 and L. 228- 91 et seq. of the French Commercial Code (except for preferred shares and securities giving access to preferred share).	10% of the Company share capital(2)	26 months(1)		

Issuance of ordinary shares and securities giving access to the Company's share capital, in the event of a public exchange offer initiated by the Company in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-91 et seq. of the French Commercial Code (except for preferred shares and securities giving access to preferred share).	672,958 [(2)]	26 months[(1)]		
Issuance of autonomous equity warrants reserved for any individual or legal entity that is a member of the Supervisory board or a consultant of the Company without shareholders' preferential subscription rights in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-138 and L. 228-91 et seq. of the French Commercial Code (except for preferred shares and securities giving access to preferred share).	7,500	18 months[(3)]	-	The share subscription price will be at least equal to the average of the closing prices of the share during the last ten stock market trading days preceding the time of allocation of the equity warrants, optionnaly minus a maximum discount of 10%, being specified that the grant price will be 10% of the exercise price so determined and that the amount paid at subscription will be deducted from the price due under the exercise.

Issuance of ordinary shares and/or securities giving access to the Company's share capital for the benefit of the members of a company savings plan.	10,000	26 months[(1)]	-	The subscription price for the new shares will be equal to 80% of the average for the first prices quoted for the Company share traded during the twenty stock market sessions preceding the day of the decision setting the opening date for the subscription when the duration of unavailability specified in the savings plan, in accordance with articles L. 3332-25 of the French labour Code, is less than ten years, and 70% of this average when said period of unavailability is greater or equal to ten years.
Issuance of free shares either existing or to be issued to the benefit of Executive Committee members with an exmployment contract and/or corporate officers of the Company or its subsidiaries in application of the provisions of articles L. 225-197-1 of the French Commercial Code.	17,500	38 months[(4)]	15,000 [(5)]	-

Issuance of free shares either existing or to be issued for the benefit of salaried personnel of the Company or its subsidiaries in application of the provisions of articles L.225-197-1 and following of the French Commercial Code.	12,500	38 months[4]	12,493.75 [5]	-
Issuance of free preferred shares convertible into orindary shares of the Company to the benefits of salaried corporate officers, salaried members of the Executive Committee and/or corporate officers of the Company or its subsidiaries in application of the provisions of articles L. 225-197-1 od the French Commercial Code	50,000	38 months[4]	50,000 [5]	-
Issuance of free preferred shares convertible into orindary shares of the Company to the benefits of employees of the Company or its subsidiaries in application of the provisions of articles L. 225-197-1 od the French Commercial Code	25,000	38 months[4]	24,860 [6]	-

(1) Dating from the General Meeting held on June 2, 2016 i.e. until August 2, 2018
(2) This amount is to be counted within the overall cap of 672,958 euros stipulated by the 19th resolution of the General Meeting held on June 2, 2016. This overall cap does not take account of adjustments liable to be made in accordance with applicable legislative and regulatory provisions or contractual terms stipulating other cases of adjustment to maintain the rights of the holders of securities or other rights giving access to the share capital
(3) Dating from the General Meeting held on June 2, 2016, i.e. until December 2, 2017
(4) Dating from the General Meeting held on June 2, 2016, i.e. until August 2, 2019
(5) Use by the Executive board of October 21, 2016 and December 30, 2016, assuming that the AGAP Management have been fully converted into the maximum number of ordinary shares (1 AGAP Manager = 200 ordinary shares)
(6) Use by the Executive board on October 21, 2016, assuming that the AGAP Employees have been fully converted into the maximum number of ordinary shares (1 AGAP Employee = 200 ordinary shares).

IV. Elements likely to have an impact in the event of a public offering (article L. 225-100-3 of the French Commercial Code)

On the date of this report:

1. Structure of the share capital

The structure of the Company's share capital as of February 28, 2017 is described in party VIII of this report.

2. Control of the Company and equity interests in the Company

The Company does not have any shareholder who can exercise individual control over it. Its largest sharesholder, Novo Nordisk A/S, holds 10.3% of the share capital as of February 7, 2017.

No shareholder is in a position to determine any decisions of Company shareholders solely on the basis of the voting rights that he holds in the Company.

No shareholder has the power to appoint or dismiss the majority of the members of the administrative, management or supervisory bodies of the Company.

3. Shareholders' agreements

The Company is not aware of any shareholder agreement or concerted action among its shareholders.

At this time there is no agreement likely to restrict the share transfers and the exercise of the voting rights.

4. Statutory restrictions on exercising voting rights and transferring shares of the Company

There are no statutory restrictions and, to the knowledge of the Company, there are no contractual restrictions on exercising voting rights or transferring Company shares.

There are no Company securities granting special control rights.

5. Shareholder system for personnel

The Company has not set up any shareholder system for personnel likely to include control mechanisms when control rights are not exercised by the personnel.

6. Appointment and replacement of the Supervisory and Executive boards memebrs and amendment of the by-laws.

The rules for appointing and replacing members of the Supervisory board and Executive board and the rules concerning amendment of the by-laws are the rules of common law stated in the Company's by-laws.

7. Executive board powerd for issuance and buy-back of shares

With regard to issuance and buy-back of shares, the Executive board has notably the powers of common law. A description of the delegations of power granted to the Executive board by the General Meeting currently in effect and their use appear in paragraph III above. Furthermore, the description of the authorization given to the Executive board by the general meeting to manage Company shares appears in paragraph III of this report.

8. Change of control clauses

There are no agreements entered into by the Company that will be amended or end in the event of change in Company control.

9. Compensation to the Executive board or employees in case of resignation or dismissal without fair cause or in case of termination following a public exchange offer for shares

Other than the legal and regulatory provisions applicable and what is described in paragraph VI.1 below, no member of the Executive board or Company employee has any agreement specifying compensation in the event of resignation or layoff without genuine and serious cause if their employment is terminated as a result of a public offering.

The mandate agreement entered into between the Company and Mr. Mondher Mahjoubi (President of the Executive board since December 30, 2016), provides that as consideration for a non competition and a non solicitation clause, Mr. Mondher Mahjoubi will benefit, as from the end of its functions as President of the Executive board, from a fixed compensation equivalent to two years of remuneration (fixed and variable), which will be paid monthly on a 24-month period.

V.Employee Proprietary Interest into the share capital of the Company (article L. 225-102 of the French Commercial Code)

1. Definitions

AGA Employees Mean the free shares granted by the Executive board to the employees, which distribution has been authorized by the General Meeting of June 2, 2016 within its 22nd resolution, with a fixed acquisition period of one year and a retention period of two years.

AGAP Employees Mean the free preferred shares convertible into ordinary shares granted by the Executive board to the employees, which distribution has been authorized by the General Meeting of June 2, 2016 within its 25th resolution.

Each AGAP Employee may be converted into a maximum of 200 ordinary shares by application of a conversion ratio depending on multiple years criteria defined by the General Meeting of June 2, 2016.

The AGAP employees are subject to a fixed acquisition period of one year and a retention period of two years. Performance criteria will be evaluated over such three-year period.

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

2. Employees equity interests

Company employees generally benefit from instruments giving them a proprietary interest in the form of AGA Employees and/or AGAP Employees and/or BSAAR awarded between 2003 and 2016.

According to the definition given in article L.225-102 of the French Commercial Code, employee proprietary interest (with shares in registered form, not including company managers) in the Company's share capital, came to 554,213 shares on December 31, 2016, which was 1.027% of the shares (of the undiluted company shares) issued as of December 31, 2016.

In 2016, the policy of employee proprietary interest in the share capital was defined along two axes:

- Distribution of AGAP Employees, upon recommendation of the Compensation Committee of 21 January, 2016 to motivate and retain the employees and interest the employees to the long term value development of the Company. The volume distributed depends on the hierarchic level and the conversion into ordinary shares depends on the achievement of performance criteria defined by the General Meeting of June 2, 2016.

  During its October 21, 2016 meeting, the Executive board, upon approval of the Supervisory board granted upon recommendation of the Compensation Committee of October 13, 2016, used the delegation of powers granted by the General Meeting of June 2, 2016 in its 25th resolution for the purpose of proceeding to an attribution of 2,486 AGAP Employees, allocated on an equality basis between the 143 employees of the Company as of June 2, 2016, except for the Executive board members employees, the fixed-term contract employees, the training contracts and the employees who left or announced they will left the company.

- Distribution of AGA Employees aiming to motivate and retain the employees and associate the employees with creation of company worth. The distribution of AGA Employees is subject to the same performance criteria than those applicable to the collective bonus.

  During its October 21, 2016 meeting, the Executive board, upon approval of the Supervisory board of December 14, 2016 granted upon recommendation of the Compensation Committee of October 13, 2016, used the delegation of powers granted by the General Meeting of June 2, 2016 in its 22nd resolution for the purpose of proceeding to an attribution of 99,932 AGA Employees, allocated on an equality basis between the 86 employees of the Company, which were employed by the Company on April 27, 2015, as reward for past performance, except for the Executive board members employees, the fixed-term contract employees, the training contracts and the employees who left or announced they will left the company.

  During its December 30, 2016 meeting, the Executive board, upon approval of the Supervisory board of December 14, 2016 granted upon recommendation of the Compensation Committee of October 13, 2016, used the delegation of powers granted by the General Meeting of June 2, 2016 in its 22nd resolution for the purpose of proceeding to an attribution of 150,000 AGA Employees, allocated on an equality basis between the 151 employees of the Company, which were employed by the Company on December 31, 2016, in view of the achievement of the objectives applicable to the collective bonus.

  In the future, the Company foresees annually distributing AGAP Employees to all Company employees, subject to achieving performance criteria pre-defined by the General Meeting and AGA Employees subject to the achievement of the «company» objectives defined for the annual bonus, and in proportion to the degree to which they are achieved. The Company's management benefits from other share-based equity instruments detailed below.

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

VI. Compensation and other information concerning executive directors (article L. 225-102-1 of the French Commercial Code)

1. Definitions

AGA Management Mean the free shares granted by the Executive board to the members of the Executive board and the Executive committee, which distribution has been authorized by the General Meeting of June 2, 2016 within its 21st resolution, with a fixed acquisition period of three years subject to presence condition.

AGAP Management Mean the free preferred shares convertible into ordinary shares granted by the Executive board to the members of the Executive board, which distribution has been authorized by the General Meeting of June 2, 2016 within its 24th resolution.

Each AGAP Management may be converted into a maximum of 200 ordinary shares by application of a conversion ratio depending on multiple years criteria defined by the General Meeting of June 2, 2016.

The AGAP Management are subject to a fixed acquisition period of one year and a retention period of two years. Performance criteria will be evaluated over such three-year period.

BSAAR See V.1

2. Compensation of Executive board members

(i) Principles for determining the compensation granted to executive directors

For determining the compensation and benefits granted to the executive directors, the Supervisory board refers to the AFEP/MEFED code (French corporate governance code for publicly traded companies) of November, 2016 and to the current practices in companies with comparable size and maturity in the biotechnology sector, in France and Europe.

The compensation of Executive board members and other Executive Committee members is determined annually by the Supervisory board upon recommendation of the Compensation and Nomination Committee.

The Supervisory board, upon recommendation of the Compensation Committee may authorize an exceptional distribution of equity instruments in case of special event justifying it.

The compensation of the Executive board members is made of:

(i) **a short terme part** made of a fixed compensation and a variable compensation depending on the annual performance, defined in accordance with the annual performance criteria;

(ii) **a long term incentive part** in the form of AGAP Management, to interest the Executive board members to the long-term results of the Company, to retain them and to align their interest on the shareholders' interest. The AGAP Management replace, since the 2016 financial year, the BSAAR previously used as long term incentives for the Executive board members; and

(iii) **other benefits** attached to the exercise of the Executive board members, including:

- a supplementary pension plan ("**Article 83 Retirement Plan**");
- in-kind benefits;
- unemployment benefits (GSC) for the President of the Executive board without employment contract

(ii) Summary of compensation for the 2016 fiscal year

The following table shows the compensation of Executive board members paid during the fiscal year ended December 31, 2016: Such compensations are more detailed into the following tables.

The compensations indicated are only related to the wages paid to the members of the Executive board relating to their employement contract or to the fees relating to their service agreement. The members of the Executive board did not received remuneration relating to their social mandate in 2016.

Compensation allocated to each member of the Executive board

	2016		**2015**	
	Due for the fiscal year	**Paid during the fiscal year**	**Due for the fiscal year**	**Paid during the fiscal year**
Hervé Brailly, Chairman of the Executive board				
Fixed compensation	280,000	280,000	260,000	260,000
Variable compensation	128,800	104,000	104,000	105,133
Exceptional compensation	300,000	60,000	83,197	23,197
Variable compensation over several years	89,852[(1)]	0[(1)]	0[(1)]	0[(1)]
Attendance fees	-	-	-	-
Other compensation items[(2)]	13,009	13,009	12,569	12,569
Total	**811,661**	**457,009**	**459,766**	**400,899**
Nicolai Wagtmann, Member of the Executive board				
Fixed compensation	170,964	170,964	161,928	161,928
Variable compensation	58,650	44,000	44,000	39,441
Exceptional compensation	-	30,000	44,277	14,277
Variable compensation over several years	80,867[(1)]	0[(1)]	0[(1)]	0[(1)]
School fee allowance	16,158	16,158	26,932	26,932
Attendance fees	-	-	-	-
Other compensation items[(2)]	4,841	4,841	4,127	4,127
Total	**331,480**	**265,963**	**281,264**	**246,702**
Yannis Morel, Member of the Executive board				
Fixed compensation	165,000	165,000	141,000	141,000
Variable compensation	56,925	36,000	36,000	28,050
Exceptional compensation	-	50,000	62,580	12,580

Compensation allocated to each member of the Executive board

	2016		2015	
	Due for the fiscal year	**Paid during the fiscal year**	**Due for the fiscal year**	**Paid during the fiscal year**
Variable compensation over several years	80,867[(1)]	0[(1)]	0[(1)]	0[(1)]
Attendance fees	-	-	-	-
Other compensation items[(2)]	3,982	3,982	3,116	3,116
Total	**306,774**	**254,982**	**242,696**	**184,746**
Catherine Moukheibir, Member of the Executive board				
Fixed compensation	280,000	264,004	320,000	287,669
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Variable compensation over several years	0[(1)]	0[(1)]	0[(1)]	0[(1)]
Attendance fees	-	-	-	-
Other compensation items[(2)]	-	-	-	-
Total	**280,000**	**264,004**	**320,000**	**287,669**

(1) Messrs. Brailly, Wagtmann and Morel have respectively been granted in 2016, 500, 450 and 450 AGAP Management giving them right to a maximum of, respectively, 100,000, 90,000 and 90,000 ordinary shares (see paragraph 2.2.2.1 of the Reference document). On 12/31/16, the AGAP were valued at € 911 per AGAP (see section 2.2.2.2.3 of the Reference document).

(2) Messrs. Brailly, Wagtmann and Morel and Mrs. Moukheibir have respectively been granted in 2015 150,000, 68,500, 88,000 and 40,000 BSAAR 2015. The subscription price paid by the beneficiaries was €1.15 per BSAAR 2015, which corresponds to the fair value at the time of the subscription (this price was fixed by the Executive board on the recommendation of an independent expert). Consequently, there is no advantage according to IFRS 2.

(3) Company car and pension benefits. Pension benefits to the Executive board members are described in 4.6 of the Reference document and in Note 2.1 in the appendix to the 2016 Consolidated Accounts.

The amounts given in the table above are gross pre-tax amounts. They include the advantage resulting from a collective retirement plan with defined contributions.

(iii) Executive boardExecutive board*Fixed Compensation*

Table summarizing the fixed compensation of each member of the Executive board and any increase

	2015	**2016**	**2017**
Hervé Brailly, President of the Executive board until December 30, 2016	260 000	300 000	/
	+13,0%	*+15,4%*	/
Mondher Mahjoubi, President of the Executive board since December 30, 2016	/	/	470 000
	/	/	/
Nicolai Wagtmann, Executive board member	161 928	170 964	180 000
	0%	*+5,6%*	*+5,9%*
Yannis Morel, Executive board member	141 000	165 000	180 000
	+23,7%	*+17%*	*+9%*
Catherine Moukheibir, Executive board member until December 30, 2016	320 000	288 000	/
	+20,5%	*-10%*	/

The fixed-compensation of each Executive board member reflects the responsibility of each Executive director, his level of experience and his compentences and is used as reference to determine the annual variable compensation of the Executive board members with an employment contract.

The compensation of Mondher Mahjoubi, President of the Executive board since December 30, 2016, was determined with regards to international market practices in the biotechnologies and to his previous compensation at AstraZeneca. Such compensation takes into account Mondher Mahjoubi's specific expertise regarding late-stage development programs until the commercialization stage whithin international pharmaceutical groups.

The decision to increase the compensation of reference of the Executive board members starting on July 1, 2016 is motivated by the desire to be in step with European biotechnology market practices and accordingly attract and retain talent.

Mrs. Catherine Moukheibir resigned from her mandate as Executive board member with effect on December 30, 2016. During the 2016 financial year, she was bound to the Company by a consultant agreement and did not benefit from any compensation linked to annual performance.

(iv) Compensation linked to annual performance

The variable part of compensation is linked to the performance of the salaried and non-salaried members of the Executive board and aims to promote achievement of the Company's annual objectives. The variable part of compensation is an individual bonus that is defined for each member of the Executive board by means of weighting of the collective objectives defined for the Company.

The collective objectives are defined each year by the Supervisory board upon recommendation of the Compensation Committee. The objectives include a "corporate" part relating to the strategy and to the cash management and a part relating to the pre-clinical and clinical research programs progress. Such objectives are differently weighted for each Executive board member depending on their specific skills.

The maximum annual variable compensation is expressed for each of the members of the Executive board based on a percentage of his fixed compensation.

% of maximum annual variable/fixed compensation in 2016[1]

	%
Hervé Brailly, President of the Executive board	40%
Nicolai Wagtmann, Executive board member, EVP Chief Scientific Officer	30%
Yannis Morel, Executive board member, EVP Business Development	30%

[1] Corresponding to a maximum of one month's salary.

The individual objectives are defined annually by the Compensation Committee at the beginning of the year. For its recommendation to the Supervisory board, at the end of the year the Compensation Committee evaluates the achievement of objectives according to the criteria defined in the year as well as the individual performances assessed quantitatively and qualitatively. In the event of 100% achievement of the objectives, 100% of the corresponding bonus is paid. In the event that 100% of the objectives are not achieved, the percentage of the bonus paid is in proportion to the percentage of the objectives achieved. In the event of performance beyond expectations as observed by the Compensation Committee, it may be decided to raise the bonus amount beyond 100%, with a limit of 125%. Moreover, in the event of an obviously exceptional performance, whose achievement could not have been taken into account in the definition of the objectives, the Compensation Committee may propose payment of an exceptional bonus.

The 2016 collective objectives fixed by the Compensation Committee on January 21, 2016, included 60% for the objectives tied to progress and success of the programs and 40% for the corporate objectives (breakdown of families of objectives given in the table hereinafter).

The collective objectives and their level of achievement as observed by the Compensation Committee on January 21, 2016 were as follows:

Collective performance criteria (% of variable annual compensation)	**Weighting**	**Achievement**
R&D (60%)		
Progress and management of clinical programs (e.g. recruitment in the clinical trials, regulatory approvals, partnership's management)	40%	>40%
Progress of pre-clinical programs (preM0 to M1)	20%	>20%
Corporate		
Activity of corporate developement	10%	10%
IR Activity	10%	10%
Implementation of recruitment plan	10%	10%
Budget and cash target	10%	10%
Total	**100%**	**>100%**

In 2016, given the achievement of operational results, which were beyond the expectations on some collective objectives (faster recruitments than the objectives in the Phase I test of IPH4102 and a number of preclinical projects started upstream above the objectives) on one hand, and on the other hand, the obtaining of encouraging results for some programs (lirilumab in comination with nivolumab in solid tumors, obtaining of encouraging clinical results in the Phase I test of IPH4102 in the cutaneous T Cell lymphoma), **the Compensation Committee observed that the objectives set were overachieved and concluded to an achievement of 130% of the collective bonus.**

The individual objectives correspond to the specific contribution expected from each salaried member of the Executive board and involve specific weighting of each group of objectives as well as specific individual objectives within each group.

Weighting of collective objectives for salaried members of the Executive board:

- **Hervé Brailly**

Individual performance criteria for Hervé Brailly (40%) of variable annual compensation)	**Individual Weighting**	**Achievement**
R&D (40%)		
Progress and management of clinical programs (e.g. recruitment in the clinical trials, regulatory approvals, partnership's management)	30%	>30%
Progress of pre-clinical programs (preM0 to M1)	10%	>10%
Corporate (60%)		
Activity of corporate developement	20%	20%
IR Activity	15%	15%
Implementation of recruitment plan	25%	25%
Total	**100%**	**>100%**

- **Nicolai Wagtmann**

Individual performance criteria of Nicolai Wagtmann (30% of annual variable compensation)	**Individual weighting**	**Achievement**
R&D (70%)		
Progress and management of clinical programs (e.g. recruitment in the clinical trials, regulatory approvals, partnership's management)	40%	>40%
Progress of pre-clinical programs (preM0 to M1)	30%	>30%
Corporate (30%)		
Activity of corporate developement	10%	10%
IR Activity	/	/
Implementation of recruitment plan	10%	10%
Budget and cash target	10%	10%
Total	**100%**	**>100%**

- **Yannis Morel**

Individual performance criteria of Yannis Morel (30% of annual variable performance)	**Individual weighting**	**Achievement**
R&D (50%)		
Progress and management of clinical programs (e.g. recruitment in the clinical trials, regulatory approvals, partnership's management)	40%	>40%
Progress of pre-clinical programs (preM0 to M1)	10%	>10%
Corporate (50%)		
Activity of corporate developement	50%	40%
IR Activity	/	/
Implementation of recruitment plan	/	/
Budget and cash target	/	/
Total	**100%**	**>100%**

To reflect the overachievement of the objective and the success of the Company in 2016, and notably the milestones achieved, which helped the Company to become more mature and to begin its transition to the next development stages, **the Compensation Committee decided to fix the individual annual objectives of the Executive board members as achieved at 115%.**

Amounts to be paid to the members of the Executive board under the compensation relating to annual performance	Fixed compensation (€)	% of variable on the fixed compensation	% of achivement of the performance criteria for the calcul of the variable compensation	**Variable 2016 (€)**
Hervé Brailly	280,000	40%	115%	**128 800**
Nicolai Wagtmann	170,964	30%	115%	**58 650**
Yannis Morel	165,000	30%	115%	**56 925**

In 2017 the Company's collective objectives shared between all the Company's members fixed by the Compensation Committee on March 6, 2017 are divided into four key priorities and defined as the basis for a sustainable growth. They help aligning the Executive board members interests with those of the Company and are defined as follows:

- scientific leadership ;
- organization readiness;
- financial discipline ; and
- great place to work.

The individual contribution of each Executive board member and their wheight within the four key priorities of collective objectives are detailes to the « Say on Pay » report (§ 1.1.2), attached to this Management's report

(v) Remuneration related to long-term performance

Principles for awarding equity instruments

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

During the 2016 fiscal year, the members of the Executive board benefited from the following policy of distributing equity instruments:

i **Distribution of AGAP Management**, to motivate and retain the Executive board members and involve them in long-term development of the Company's worth.

ii **Distribution of AGA Management**, only distributed to the new member of the Executive board to attract and retain new talents and grant a compensation in line with international market practices in the biotechnology sector.

Distribution of AGA Management to the new Executive board member in 2016

The Executive board held on December 30, 2016, used the delegation granted by the 21st resolution of the General Meeting held on June 2, 2016 to grant 250,000 AGA Management to Mr. Mondher Mahjoubi.

Distribution of AGAP Management to the Executive board members in 2016

The Executive boards held on October 21, 2016 and December 30, 2016 used the delegation granted by the 24th resolution of the General Meeting held on June 2, 2016 to grant, respectively 1,400 AGAP Management to the three Executive board members and 3,000 AGAP Management to the new President of the Executive board.

The distributions of AGAP Management are detailed in the table below:

Executive board members	Date of the Executive board	Number of AGAP Management distributed	% of maximum dilution(1)
Hervé Brailly	10/21/2016	500	0,19%
Nicolai Wagtmann	10/21/2016	450	0,17%
Yannis Morel	10/21/2016	450	0,17%
Mondher Mahjoubi	12/30/2016	3000	1,11%

(1) On the basis of the number of shares of the non-diluted share capital on the date of attribution by the Executive board and assuming that the AGAP Management have been fully converted (1 AGAP = 200 ordinary shares)

The table below summarizes the share equivalents of the equity instruments owned by the members of the Executive board on 31 December 2016:

Members of the Executive board	BSAAR	BSA	AGAP Management (2) (in number of shares in case of maximum conversion)	AGA Management (2)	TOTAL	% of maximum dilution (1)
Hervé Brailly	350 000	-	100 000	-	450 000	0,78%
Nicolai Wagtmann	68 500	-	90 000	-	158 500	0,27%
Yannis Morel	88 000	-	90 000	-	178 000	0,31%
Catherine Moukheibir	40 000	125 000	-	-	165 000	0,29%
Mondher Mahjoubi	-	-	600 000	250 000	850 000	1,47%
Total	**546 500**	**125 000**	**880 000**	**250 000**	**1 801 500**	**3,12%**

(1) On the basis of the number of shares forming part of the share capital on the date of this report, non diluted and assuming that the AGAP Management have been fully converted (1 AGAP = 200 ordinary shares)

(2) Non definitively acquired by the beneficiaries

No security giving the right to distribution of debt instruments of a company of which the Company directly or indirectly possesses more than half of the share capital was distributed to members of the Executive board during the course of the 2016 fiscal year.

(vi) Exceptional compensation

In 2016, the Supervisory board, upon recommendation of the Compensation Committee, approved the payment of an exceptional compensation of € 300,000 to Mr. Hervé Brailly as President of the Executive board, before he became President of the Supervisory board, in light of his key role as founder and executive director of the Company.

(vii) Benefits in kind

In 2016, salaried members of the Executive board benefited from a company management vehicle as appearing in the elements of compensation shown in detail in paragraph 3 below «Consultation of shareholders concerning elements of compensation of executive company officers ».

Salaried members of the Executive board also benefited from a "Article 83" Retirement Plan, 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 2016 fiscal year came to 3,635 euros for Mr. Brailly 2,121 euros for Mr. Nicolai Wagtmann and 2,032 euros for Mr. Yannis Morel.

Lastly, the Company subscribed 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), heads of companies and company managers not able to benefit from ASSEDIC (French Unemployment Office) benefits. The GSC was put in place on April 1, 2006 following authorization by the Supervisory board on the date of September 23, 2005. The amount covered by the Company under the GSC for Mr. Hervé Brailly for the 2016 fiscal year came to 7,514 euros. The GSC of Mr. Hervé Brailly was terminated with effect on January 1, 2017.

(viii) Contract with the non-salaried member of the Executive board

(i) Catherine Moukheibir's consultancy agreement

Mrs. Catherine Moukheibir, Executive board member, has been bound to the Company since 2011 by a consultancy agreement that makes it possible to change the volume of her work flexibly, depending on the Company's needs and to have a high level consultant available with work volume and financial expense adapted to Company's needs.

Such consultancy agreement was entered into for a two-year period and was amended on April 30, 2011 and renewed twice for two-year periods on March 4, 2013 and March 6, 2015.

Following Mrs. Catherine Moukeheibir's resignation from her functions as member of the Executive board on December 30, 2016, the consultancy agreement as renewed on March 6, 2015 was amended on December 14, 2016 with effect on December 30, 2016 for a six-month period (*i.e.* until June 30, 2017).

Mrs. Catherine Moukheibir was not eligible for compensation tied to annual performance.

(i) Mr. Mondher Mahjoubi's mandata agreement

On December 14, 2016, the Company entered into a mandate agreement with Mr.Mondher Mahjoubi, as new President of the Executive board since December 30, 2016, which notably details the different components of his compensation and his benefits during its mandate.

3. Remuneration of the members of the Supervisory board.

(i) Attendance fees

Principles of the attendance fees distribution

The Annual General Meeting of June 2, 2016 voted a total amount of 200,000 euros in attendance fees. This amount is distributed among the members of the Supervisory board according to a calculation, which depends on their rate of attendance at meetings and their responsibility in committees.

The Supervisory board meeting of December 14, 2016 decided that Mr. Hervé Brailly, as new President of the Supervisory board, will benefit from a special compensation under article L 225-81 of the French Commercial Code and will not be remunerated by the attendance fees voted by the General Meeting. Therefore, the Supervisory board meeting of December 14, 2016 modified the distribution grid of attendance fees of the Supervisory board members.

(ii) Distribution for the 2016 fiscal year

Company paid attendance fees to the members of the Supervisory board in 2016 that amounted to euros 199,990. The following table summarizes those payments:

Table 3	**Compensation allocated to each member of the Supervisory board**	
	Paid in 2017 for 2016	**Paid in 2016 for 2015**
Gilles Brisson, Chairman, independent member		
Attendance fees	47,113	44,500
Other compensation	None	None
Irina Staatz-Granzer, independent member of the Supervisory board		
Attendance fees	27,643	27,500
Other compensation	None	None
Philippe Pouletty, independent member of the Supervisory board.		
Attendance fees	35,335	36,000
Other compensation	None	None
Patrick Langlois, independent member of the Supervisory board		
Attendance fees	38,700	40,500
Other compensation	None	None
Michael Caligiuri, independent member of the Supervisory board		
Attendance fees	23,076	21,750
Other compensation	None	None
Véronique Chabernaud, independent member of the Supervisory board		
Attendance fees	28,123	17,000
Other compensation	None	None

(iii) Equity Instruments of the Supervisory board

Principles of awarding equity instruments

The Company attributes warrants (BSA) to the independent members of the Supervisory board. Such attributions aim at attracting high level profiles to the Supervisory board and maintaining the Company's cash position.

In 2017, the Compnay contemplates using the delegation granted by the General meeting of June 2, 2016 to attribute warrants to the independent members of the Supervisory board every two years in the context of their renewal and their appointment.

Distribution of equity instruments for the 2016 fiscal year

During the 2016 fiscal year, no equity instruments were distributed to the Supervisory board members.

The table below summarizes the share equivalents of the equity instruments held by the members of the Supervisory board members on December 31, 2016:

Members of the Supervisory board	**BSA held**
Gilles Brisson	40,000
Philippe Pouletty	10,000
Irina Staatz-Granzer	35,000
Patrick Langlois	-
Novo Nordisk A/S	-
Michael Caligiuri	25 000
Véronique Chabernaud	14 200
Total	**124,200**

The expense recognized in the consolidated accounts for these payments in shares was 124,000 euros for the 2015 fiscal year. In 2016, no expense was recognized in the condolidated accounts in this regard.

No equity instrument, debt instrument or instrument giving access to share capital or giving the right to the awarding of debt instruments of a company in which the Company directly or indirectly possesses more than half of the share capital was awarded to any members of the Supervisory board during the course of the 2016 fiscal year.

The Company did not adjust the bases of conversion and the conditions of subscription during the fiscal year ending December 31, 2016.

4. Consultation of shareholders concerning the elements of compensation of the executive company officers[7]

In accordance with the recommendations of the AFEP/MEDEF code (French corporate governance code for publicly traded companies) revised in November 2016 (Article 26.1), with which Company complies in accordance with Article L.225-37 of the French Commercial Code, the following information on the elements of compensation due or paid for the 2016 fiscal year to each executive company officers must be submitted for the opinion of the shareholders.

Consequently, it will be proposed at the next General Meeting approving the financial statements of the fiscal year ended December 31, 2016 that an opinion be given on the elements of compensation due or paid for the 2016 fiscal year to Mr. Hervé Brailly, chairman of the Executive board and Mr. Nicolai Wagtmann, Ms. Catherine Moukheibir and Mr. Yannis Morel, members of the Executive board:

[7] In accordance with Sapin 2 Law (L. n°2016-1691, December 9, 2016, art. 161), providing for a process of regulation of the compensation of the Executive and Supervisory Board memebrs in listed companies, the 2017 General Meeting will submit ot the vote one (or several) resolution(s) relating to the principles and criteria of determination of the elements of the compensation of the Executive and Supervisory Board memebrs. The resolution(s) submitted to the vote will be introduced in a report attached to such report (article L. 225-82-2 of the Code of commerce).

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

Elements of the compensation due or paid for the fiscal year ended on December 31, 2016 to Mr. Hervé Brailly, Chairman of the Executive board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed remuneration	280,000	Gross compensation of 280,000 euros for the 2016 fiscal year approved by the Supervisory board meeting on February 17, 2016 on the proposal of the Compensation and nomination Committee. Changes in fixed compensation are presented on section 2.2.2.1.1 of this document. This compensation corresponds only to the salary paid to Mr. Brailly under the terms of his employment contract.
Annual variable compensation	128,800	On the recommendation of the Compensation and nomination Committee meeting on December 13, 2016, Mr Brailly's variable remuneration is 128,800 euros, corresponding to achievement of 115% of the 2016 performance criteria. The criteria and their level of achievement are described in paragraph 2.2.2.2.2
Exceptional compensation	300,000	Upon recommendation of the Compensation and nomination ommittee meeting of December 13, 2016, the Supervisory board meeting of December 14, 2016 granted to Mr Brailly an exceptional compensation (see 2.2.2.2.6 of this Reference document).
Variable long-term compensation	89,852 (1)	Mr. Brailly benefited from being awarded 500 AGAP by the Executive board meeting of October 21, 2016 upon authorization by the General Meeting of June 2, 2016 (24th resolution). By way of information, it is stated that as of December 31, 2016 Mr. Brailly also held: 200,000 BSAAR 2011 and 150,000 BSAAR 2015.
Attendance fees	N/A	Like all members of the Executive board, Mr. Brailly does not receive attendance fees.
Value of all types of benefits	13,009	Mr. Brailly receives a management vehicle and a supplementary pension plan "Article 83".
Severance pay	N/A	Mr. Brailly does not receive any severance pay.
Non-competition indemnity	N/A	Mr. Brailly does not receive any non-competition indemnity.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	3,635	Mr. Brailly has an "Article 83" pension contract with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see section 2.2.2.2.3 of the Reference document)

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

Elements of the remuneration due or paid for the fiscal year ending on December 31, 2016 to Ms. Catherine Moukheibir, member of the Executive board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	280,000	The continuation of the contract including compensation awarded to Ms. Moukheibir was approved by the Supervisory board meeting on March 6, 2015. An amendment to the Consultancy Agreement approved by the Supervisory board meeting of December 14, 2016 was signed to change the conditions of intervention and the contractual period following the resignation of Mrs. Moukheibir from its functions as member of the Executive board. The changes in fixed compensation are presented in paragraph 2.2.2.2.1 of this Reference document. This compensation corresponds only to the fees paid to Ms. Moukheibir under the terms of her consultancy agreement.
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	0	Mrs. Moukheibir did not benefit from any variable long-term compensation in 2016. For information purposes, Ms. Moukheibir held the following as at December 31, 2016: 50,000 BSA 2013, 75,000 BSA 2014 and 40,000 BSAAR 2015.
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 benefit from any benefit in-kind.
Severance pay	N/A	Ms. Moukheibir does not receive any severance pay.
Non-competition indemnity	N/A	Ms. Moukheibir does not receive any non-competition indemnity.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	N/A	Ms. Moukheibir does not have any supplementary pension plan.

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

Elements of compensation due or paid for the fiscal year ending on December 31, 2016 to Mr. Nicolai Wagtmann, member of the Executive board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	170,964	Gross compensation of 170,964 for the 2016 fiscal year approved by the Supervisory board meeting on February 17, 2016 on the proposal of the Compensation and Nomination Committee. Changes in fixed compensation are presented in paragraph 2.2.2.2.1 of this Reference document. This compensation corresponds only to the salary paid to Mr. Wagtmann under the terms of his employment contract.
Annual variable compensation	58,650	On the recommendation of the Compensation and nomination committee meeting on December 13, 2016 the annual variable remuneration of Mr. Wagtmann is 58,650 euros, corresponding to achievement of 115% of the 2016 performance criteria. The criteria and their level of achievement are described in paragraph 2.2.2.2.2 of this Reference document.
Allowance	16,158	School fee allowance amounting to 16,158 euros.
Exceptional compensation	-	Mr. Wagtmann does not received any exceptional compensation.
Variable long-term compensation	80,867 (1)	Mr. Wagtmann was granted 450 AGAP Management by the Executive board meeting of October 21, 2016 upon authorization of the General Meeting of June 2, 2016 (26th resolution) For information purposes, M; Wagtmann held the following as at December 31, 2016: 68,500 BSAAR 2015.
Attendance fees	N/A	Mr. Wagtmann receives a management vehicle and benefited from a supplementary pension plan "Article 83".
Value of all types of benefits	4,841	Mr. Wagtmann does not receive any severance pay.
Severance pay	N/A	Mr. Wagtmann does not receive any non-competition indemnity.
Non-competition indemnity	N/A	Mr. Wagtmann has an "Article 83"Retirement Plan with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	2,121	

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see section 2.2.2.2.3 of the Reference document)

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

Elements of the compensation due or paid for the fiscal year ending on December 31, 2016 to Mr. Yannis Morel, member of the Executive board, submitted for the opinion of the shareholders

Elements of compensation	Amounts	Commentaries
Fixed compensation	165,000	Gross compensation of 165,000 for the 2016 fiscal year approved by the Supervisory board meeting on February 17, 2016 on the proposal of the Compensation and Nomination Committee. Changes in fixed compensation are presented in paragraph 2.2.2.2.1 of this Reference document. This compensation corresponds only to the salary paid to Mr. Morel under the terms of his employment contract.
Annual variable compensation	56,925	On the recommendation of the Compensation and nomination committee on December 13, 2016 the annual variable compensation of Mr. Morel is 56,925 euros corresponding to the achievement of 115% of the 2016 performance criteria. The criteria and their level of achievement are described in paragraph 2.2.2.2. of this Reference document.
Exceptional compensation	-	Mr. Morel does not receive any exceptional compensation.
Variable long-term compensation	80,867 (1)	Mr. Morel was granted 450 AGAP Management by the Executive board meeting of October 21, 2016 upon authorization of the General Meeting of June 2, 2016 (24th resolution)
Attendance fees	N/A	Like all members of the Executive board, Mr. More does not receive attendance fees.
Value of all types of benefits	3,982	Mr. Morel received a management vehicle and benefited from a supplementary pension plan "Article 83".
Severance pay	N/A	Mr. Morel does not receive any severance pay.
Non-competition indemnity	N/A	Mr. Morel does not receive any non-competition indemnity.
Collective pension plan with defined contributions (components took into account to determine the global compensation)	2,032	Mr. Morel has an "Article 83" Retirement Plan with AG2R La Mondiale, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

(1) On 12/31/16, the AGAP were valued at € 911 per AGAP (see section 2.2.2.2.3 of the Reference document)

5. List of positions held by the Executive directors

The following table lists the other positions held by members of the Executive board for the fiscal year ending December 31, 2016 and for the last five years:

First and last name, nationality and age[(1)]	**Duration of Term**	**Position**	**Other Positions and Appointments held in any other company over the last five years**
Mondher Mahjoubi French Age 58	First nomination: Supervisory board of 12/14/16, with effect on 12/30/16 Term expires: Ordinary General Meeting of 2020 to be held to vote on the accounts for the fiscal year ending on 12/31/19	Chairman of the Executive board since December 30, 2016	Positions previously held in unlisted companies: Senior VP "head of oncology TA" at Genentech Positions previously held in listed companies: Senior VP "head of oncology TA" at AstraZeneca
Hervé Brailly[(1)] French Age 55 Innate Pharma 117, Avenue de Luminy 13009 Marseille	First nomination : Supervisory board of June 13, 2005 renewed by the Supervisory board of 06/29/11 then by the Supervisory board of 03/27/14 Term expires : General Meeting of 2017 Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2016	Chairman of the Supervisory board until December 29, 2016	Mandates and positions in unlisted companies: Member of the executive committee and treasurer of EurobioMed; Member of the development council of Marseille Provence Métropole; Member of the Strategy and Prospects committee of Aix Marseille University; Member of the investment committee of SATT Sud-Est; Chairman of Kervrant Biotech SAS. Mandate in listed companies: Chairman of the Executive board of Innate Pharma (resignation on 12/29/16) Terminated mandates: Member of the Supervisory board of Inserm Transfert (not renewed in 2014); Elected member of the Chamber of Commerce of Marseille (not renewed in 2012); Member of the board of directors of Platine Pharma Services (not renewed in 2014), Chairman of the Board of directors of Innate Pharma, Inc. (resignation on 12/30/16).

Ms. Catherine Moukheibir(2) **Lebanese** **Age 56**	First nomination : Supervisory board of May 5, 2011 renewed by the Supervisory board of 06/29/11 then by the Supervisory board of 03/27/14 Term expires : General Meeting of 2017 Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2016	Member of the Executive board and Senior Finance Advisor (resignation on December 30, 2016)	Mandates in listed companies: Member of Supervisory board and Audit Committee of Cerenis (from 2015); Member of Supervisory board and Chairman of Audit Committee of Zealand Pharma (from 2015); Member of Supervisory board and Audit Committee of Ablynx (from June 2013) Mandates in unlisted companies: Chairman of the Boar of Directors of medDay (since April, 2016); Terminated mandate: Member of the Supervisory board and Chairman of the Audit Committee of Octoplus (2012-2013); Partner in the consultancy firm STJ Advisors (2011-2013); Member of the Supervisory board of Creabilis (from December 2012 to December 2016) and President of the Supervisory board (from January, 2015 to Deccember, 2016),
Nicolai Wagtmann Danish Age 53	First nomination: Supervisory board of 12/12/13 as a replacement for Francois Romagné Renewed by the Supervisory board of 03/27/14 Renewed by the Supervisory board of 12/14/16 with effect on 12/30/16 Term expires: Ordinary General Meeting of 2020 Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/19	Member of the Executive board and Chief Scientific Officer	Position previously held in a listed company: VP, head of the inflammation biology and member of the direction of the biopharmaceutical unit research at Novo Nordisk A/S (end on the contract in 2013).

Yannis Morel French Age 43	First nomination: Supervisory board of 06/25/15 Renewed by the Supervisory board of 12/14/16 with effect on 12/30/16 Term expires: Ordinary General Meeting of 2020 Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/19	Member of the Executive board and Business Development	None

(1) For the needs of their social mandate, the Executive board members of the Company are domiciled at the Company's registered office.

(2) Mrs. Moukheibir is bound to the Compny with a consultant agreement.

The following table lists the other positions held by the members of the Supervisory board for the fiscal year ending December 31, 2016 and for the last five years:

First and last name, nationality age and professional address	**Duration of Term**	**Position**	**Other Positions and Appointments held in any other company over the last five years**
Gilles Brisson French Age 65 Innate Pharma 117, Avenue de Luminy 13009 Marseille	First Appointment: Ordinary General Meeting on 06/26/07 Renewed by the Ordinary General Meetings on 06/23/09, 06/29/11, 06/28/13 and 04/27/15. Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Member of the Supervisory board	Mandates and positions in unlisted companies: Chairman of Mutabilis holding SAS; Chairman of the Supervisory board of Ethypharm SA; Member of the Supervisory board of the Carso Group; Chairman of the Board of directors of Mauna Kea Technologies (listed company).
Patrick Langlois, French Age 71 PJL Conseils 6, Avenue Frederic Le Play 75007 Paris	First Appointment: Ordinary General Meeting on 05/25/10 Renewed by the Ordinary General Meetings on 06/23/09, 06/29/11, 06/28/13 and 04/27/15. Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Member of the Supervisory board	Mandates in listed companies: Stallergènes Greer PLC: Independent member of the Board of directors and member of the Compensation committee; Scynexis (US): Director and member of the Compensation and audit committees; Newron (Italy): Director, Chairman of the Audit committee and member of the Compensation committee; Sensorion SA (FR): Chairman of the board and Chairman of the compensation committee. Terminated mandates: Diaxonhit (France): Director and member of the Audit committee (not renewed in 2014); ONXEO SA: Chairman of the Board of Directors (non renewed in 2016).

First and last name, nationality age and professional address	Duration of Term	Position	Other Positions and Appointments held in any other company over the last five years
Mr. Philippe Pouletty French age 56 Truffle Capital, 5, rue de la Baume 75008 Paris	First Appointment: General Meeting on December 22, 2001. Renewed by the Ordinary General Meetings on June 26, 2007, June 23, 2009, June 29, 2011, June 28, 2013 and April 27, 2015 Resignation: December 14, 2016, with effect on December 30, 2016	Member of the Supervisory board	Positions in listed companies: Chairman of the Board of Directors of Deinove, Director representing Truffle Capital SAS to the boards of Vexim SA, Carmat SA and Theradiag Positions in unlisted companies: Chairman of the Board of Directors of Abivax S.A, Director representing Truffle Capital SAS on the boards of Pharnex SAS, Biokinesis SAS, Myopowers SA, Diaccurate, Altimmune Inc. and Deinobiotics, member of the board of directors and managing director of Truffle Capital SAS, General Manager of Nakostech SARL, Terminated positions: Honorary President and Director of France Biotech (2012); at BMD SA(2012); mandate as board member not renewed inTargeting Systems Ltd (Royaume-Uni) (2015) ; Neovacs SA (2014) ; Splicos SAS (2013) ; Wittycell SAS (2013). Board member of the *l'Association du Centre Chirurgical Marie Lannelongue* (2016), board member representing Truffle Capital SAS to the boards of Theraclion SA (2016), Plasmaprime SAS, Carbios SA (2016), Theradiag (2017), Symetis (2016), Myopowers (2016)

First and last name, nationality age and professional address	Duration of Term	Position	Other Positions and Appointments held in any other company over the last five years
Irina Staatz-Granzer German Age 56 Zielstattstrasse 44, D-81379, Munich, Germany	First Appointment: Ordinary General Meeting on 06/23/09 Renewed by the Ordinary General Meetings on 06/29/11, 06/28/13 and 04/27/15 Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Vice Chairman and member of the Supervisory board	Positions in unlisted companies: Staatz Business Development & Strategy, founder Blink Therapeutics Ltd: Chairman (2014); Blink Biomedicals SAS: Chairman (2015); PLCD (German Pharma Licensing Club): President. Terminated position: CEO of U3 Pharma AG
Novo Nordisk A/S, represented by Karsten Munk Knudsen(1) Danish Age 44 Novo Allé 2880 Bagsværd Denmark	First Appointment: Ordinary General Meeting on 06/26/07 Renewed by the Ordinary General Meetings on 06/23/09, 06/29/11, 06/28/13 and 04/27/15. Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Member of the Supervisory board	None

First and last name, nationality age and professional address	Duration of Term	Position	Other Positions and Appointments held in any other company over the last five years
Michael A. Caligiuri American Age 61 OSU James Cancer Hospital, 300W. 10th Avenue, Suite 519, Columbus, OH43210	First Appointment: Ordinary General Meeting on 06/26/13 Renewed by the Ordinary General Meetings on 04/27/15. Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Member of the Supervisory board	Other positions and mandates in unlisted Company: Member of the Board of Directors of the American Association of Cancer Research (AACR); President of the National Cancer Policy Forum, of the National Institute of Medicine (USA) Member of the Management Committee of Pelotonia; President of the Society for Natural Immunity
Véronique Chabernaud French Age: 55 Innate Pharma 117, Avenue de Luminy 13009 Marseille	First Appointment: Ordinary General Meeting on April 04/27/15. Term expires: 2017 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending on 12/31/16.	Member of the Supervisory board	Other positions and mandates held in unlisted Company: Founder of the Company named «Créer la Vitalité»

6. Agreements signed between an executive director or a significant shareholder and/or a subsidiary

No Agreement has been signed, directly or through an intermediary, pursuant to the last paragraph of Article L.225-102-1, between on the one hand, one member of the Executive board or the Supervisory board, the managing director, one of his representatives, one of the directors or shareholders holding a fraction of more than 10% of the voting rights of a *Societe Anonyme* and on the other hand, another Company whose SA owns, directly or indirectly, more than half of the capital.

VII.- Innate Pharma and Corporate Social Responsibility

Context

Various characteristics associated with Innate Pharma's history, activity and location mean that it has always had a strong commitment to its staff and its local area. The Company began formalizing its corporate social responsibility (CSR) process in 2012. This report discloses Innate Pharma's corporate social responsibility indicators for the year 2016, in compliance with Article 225 of the Grenelle II law.

Innate Pharma's Corporate Social Responsibility report has been reviewed, the results of which can be consulted on the Company's website (www.innate-pharma.com, Investors section/Regulated information and publications/Corporate Social Responsability).

It should be noted that the information in the following paragraphs of Section VII only concern Innate Pharma SA, not its subsidiary[8].

1. Employment and Social Responsibility

Commitments and objectives

Innate Pharma is a biotechnology company which specializes in drug research and development of therapeutic antibodies to improve cancer treatment. As such, it aims to produce intellectual property, and its staff members are considered to be its main resource. The Company has identified its ability to attract, retain and motivate its employees as a major strategic priority.

a. Employment

The headcount (defined according to the French Labor Code) comprises those individuals, bound by an employment contract and present as of December 31, excluding temporary employees on fixed-term replacement contracts, trainees and apprentices.

The table below summarizes the statistical indicators used to describe employment within Innate Pharma over the last three years:

	2014	2015	2016
Total workforce and distribution of employees by gender and age			
Headcount	99	118	154
Full Time Employee (FTE)	96	114	151
Permanent contracts (%)	94	92	94
Distribution by gender M/F (%)	34/66	31/69	35/65
Average age (years)	37	37	36
Staff aged 45 years or more (employees, %)	21	21	19
Turnover			
Net new hires	15	19	36
Number of young graduates hired	7	6	8

[8] The CSR reporting applies to Innate Pharma SA, which has interests in one company:

- Innate Pharma, Inc., a wholly owned company incorporated under American law, the purpose of which is to represent the Company in the United States. This subsidiary is currently dormant.

This subsidiary is not included in the scope of this procedure.

	2014	2015	2016
Rate of employee departure[9] (%)	3.3	3.6	5.2
Compensation and changes in compensation			
Average compensation (average annual gross compensation, including bonuses, including Executive Committee, in euros)	57,804	59,661	57,392
Percentage annual collective increase (%)	2.0	1.8	1.5

- Total workforce and distribution of employees by gender and age

Innate Pharma's activities increased significantly in 2016 (increase in the number of drug-candidates in clinic and preclinical development, increase in the number of clinical trials, increase of pharmaceutical operations activities etc.), resulting in a significant workforce growth (+31%) in 2016.

Changes in the workforce are part of a Strategic Workforce Planning approach:

- The Company estimates its skills requirements regularly according to its strategic guidelines, either during budget preparation meetings or Executive Committee meetings. With its consent, staff may need to change teams or jobs, or take on new responsibilities, according to i) changes in the Company's projects, ii) fluctuations in activity, and iii) employee skills and expectations in terms of development or reorientation. Reassignment and internal mobility are managed by the HR Department, together with management. They enable employees to expand their areas of activity and to develop new skills. In 2016, several R&D teams were divided to enable better hands-on management following a significant increase in staff numbers in these teams. Manager positions were filled internally and others came from external recruitment. The management team is trained to the Company's practices. In 2016, it has been trained to undertake professional interviews.
- New individual development tracks will be set up to offer new prospects for advancement towards management duties. These tracks are designed along three lines: team management, project management and technical and scientific expertise. New status and new positions will be created upon that. It will be rolled-out in 2017.
- The recruitment and training plans are drawn up based on the required skills. Job description sheets are regularly updated whenever job positions are inclined to evolve. Professional interviews were carried out at the end of 2016, and will be continued in 2017. The main goal is professional project definition and follow-up, based on a medium term action plan.

The gender distribution and the average age of staff are both stable. The percentage of staff aged 45 years or more, which is relatively stable, is slightly lower than the Company's seniors plan objectives (between 20 and 25% of all staff). This reflects the numerous hires of people younger than 45 year-old in 2016.

The staff has a high level of qualification: managers account for 66% of the workforce. The workforce includes 46 employees with PhDs in science, medicine or pharmacy, i.e. 30% of the total number of employees.

On December 31, 2016, 77% of the workforce, excluding the Executive Committee, was devoted to research and development activities.

All the Company staff is based in Luminy, Marseille. A part of the staff is settled in rented promises, near to the main building (Luminy Biotech Zone).

- Staff turnover

The net job creation resulted in thirty-six new hires in 2016. Other employees joined the Company with contracts that are not recorded in the headcount (work-training contracts and fixed-term replacement

[9] Calculated based on permanent contracts only

contracts). Seven employees hired with a fixed-term contract in 2015 and in 2016 were hired with a permanent contract in 2016. Eight employees hired in 2016 were young graduates when they joined the Company. Three students have a work-study contract. As of December 31st 2016, seven employees are working on a fixed-term contract to cover a temporary period of increased activity.

The Company welcomed 18 interns in 2016. All those having an internship lasting one month or more will be paid an allowance and can be given meal vouchers on request. For all interns who are hired at the end of the internship, their internship period is taken into account when calculating seniority.

Seven employees with permanent contracts left the Company during the year.

- Compensation and its evolution

The Company favors a remuneration system based on collective performance. A collective bonus calculated based on one month's salary, in proportion to the employee time spent at work, is given to staff according to the achievement of collective objectives. For the year 2016, the Compensation and Appointments Committee decided to recognize the exceptional collective performance, notably related to clinical results obtained with IPH41 program, which makes considering a transition towards late-stage development of product-candidates possible. Thus, a collective bonus, accounting to 130% of a month's salary, has been paid in January 2017.

Executives are qualified to receive an individual bonus linked to the achievement of specific objectives.

The average salary decreased between 2015 and 2016 due to an exceptional compensation paid in 2015. The employees benefited from two collective-bonus payments, including an exceptional collective bonus. This exceptional bonus was equivalent to one month's salary and had been paid in July 2015 to employees who were present on the date the co-development and co-commercialization agreement with AstraZeneca was signed.

In 2016, 77% of staff (excluding Executive Management) received individual salary incentives (in addition to the collective 1.5% pay increase in 2016).

Staff on fixed-term contracts received a "job insecurity" allowance when their contracts were renewed, whether their contract was renewed as fixed-term or permanent.

b. <u>Work Organization</u>

The "working time" agreement dated April 14, 2003 (with retroactive effect to July 1, 2002) sets the reference working week at 37.5 hours and allows employees to take compensatory days off (for extra time in connection with working time reduction). This agreement is still in effect. An amendment was signed in 2007 which essentially refers to the establishment of a Working Time Account. A company agreement on work organization was signed in December 2013. It provides for flexibility of working hours, the use of Working Time Account days for personal reasons, and teleworking.

The working time organization of the Company in 2015 under the working time reduction agreement provides for 1,600 hours a year for full-time employees. These provisions apply *prorate temporis* to part-time employees (50%, 80% or 90%). The table below summarizes the indicators used to describe work organization within Innate Pharma over the last three years:

	2014	**2015**	**2016**
Organization of working time			
Percentage of part-time employees	14%	17%	12%
Absenteeism			
Absenteeism rate	2.7%	2.7%	2.1%

The percentage of part-time staff decreased slightly. This results from some employees' resumption of work after a parental leave or a part-time period. By December 31, 2016, six employees work part-time at 90%, eleven employees at 80% and one employee at 50% due to a disability.

Overtime is exceptional within the Company: 103 hours of overtime were completed in 2016 (as against 81 hours in 2015). These hours of overtime were mostly worked during weekends, on a voluntary basis, to carry-out work related to the building or the IT system, not to trouble the Company's activity, or as part of constraint interventions.

The absenteeism rate decreased slightly. Absences are mainly days off work due to sickness (79%). The absenteeism rate is calculated according to the total number of working days absent during the financial year for employees included in the workforce headcount during this period. It does not take maternity, paternity or parental leave into account.

c. <u>Employee Relations</u>

- Relations with the Employee Representative Institutions

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

Members' of the Works Committee and staff representatives' current mandate ends in early 2017 and new elections will be organized. Three unions are represented. Meetings of the Works Committee, the Staff Representatives and the Health, Safety and working conditions Committee are held regularly, in accordance with the legal conditions. The minutes are distributed as they are produced to the staff and to the various bodies (Labor Inspectorate, Occupational Medicine, etc.).

The Mandatory Annual Negotiations did not lead to set new agreements up.

The annual negotiation on compensation, working time and sharing of the added value lead to significant progress:

1) Principles of profit-sharing based on the Company's performance, using an Employee Stock Ownership Plan (ESOP), have been discussed with union representatives and the Company's Compensation Committee:
   - A free share allocation plan based on annual objectives' achievement is considered every year (like in 2016);
   - During the General Meeting, the renewal of the free preferred share allocation plan will be proposed, which entitles to receive, after a three-year period, ordinary shares, according to 2016 plan's principles. The *in fine* number of shares attributed depends on performance criteria predefined by the June 2016 General Meeting, observed after 3 years on October 21st 2019. This is a long term performance compensation system.
2) The staff will now be able to allocate RTT (*Réduction de Temps de Travail*, working time reduction) days from their time savings account on the new additional pension plan, "article 83", set up in early 2016.

- Internal communication

The corporate life rests upon an extensive internal communication and participative management which promotes employees' involvement in decisions regarding projects and community life. Notably, this translates into:

- Team participation to project review meetings
- Staff participation to working groups (based on a voluntary basis)
- Periodic general information meetings:
  - Policy and Objectives meetings led by the Chairman of the Executive board

- Meetings presenting organizational changes, actions and current projects concerning employee benefits, working conditions and the local environment
- Meetings of the Works Committee or the Health, Safety and Working conditions Committee with the employees

In 2016, when profit sharing instruments were distributed, information meetings were hosted by the Company's chartered accountant and the Legal Director to explain their use and taxation.

In late 2016, information meetings about the new additional pension contract and its advantages were held by an organization representative.

- Employee benefits and other advantages

The amounts paid in respect of fringe and cultural benefits by the Works Committee for the 2016 financial year increased by approximately 60%. The amount was €70,000 (as against €44,000 in 2015). These amounts are above the legal requirements. 2016 budget soared to cope with the significant increase of workforce, so as to maintain an equivalent level of advantages and to develop cultural and sport activities. The aim was also to host more events to facilitate the integration of new hires, cohesion and exchanges.

The Works Committee offered employees numerous benefits such as holiday vouchers, theater and cinema vouchers, gift vouchers for family events, or even the provision of a special kind of for short-term loan to employees who need it. In 2016, the Works Committee organized cultural outing (theater). Upon receipts presentation and based on a fixed price, it also contributed to staff cultural and sportive activities. Interns who work in the company for three months or more also receive the Works Committee benefits

The Company and the Works Committee pay particular attention to life within the company with the organization of a number of annual social events. "Discovery" days are regularly held in which employees can learn about the various different in-house activities (job/projects). In this spirit an afternoon round table discussion took place in January 2016: several employees have presented their job and led a discussion with their colleagues around many themes.

In addition, the Company held and/or co-financed parties (in the summer and at the end of the year).

To facilitate work/life balance, the Company offers co-financed CESUs (*Chèque Emploi Service Universel*, Universal Service Employment Vouchers) and saved two cradles in Luminy's intercompany day nursery.

To broaden catering solutions, the Works Committee suggested welcoming food-trucks in the Company parking lot. After a successful testing phase, this solution has been upheld. Several food-trucks are currently taking shifts twice or three times a week.

d. Health and Safety – Working Conditions

Health and Safety

Definitions:

Distinction between "Workplace accident" and "Workplace incident": in the case of a "Workplace accident", medical care is required and given according to the injury sustained. Accidents are systematically reported to the Social Security services. "Workplace incidents" concern minor injuries which do not require medical care. These do not have to be reported to the Social Security services.

All "Workplace Accidents" and "Workplace Incidents" are recorded in-house in a dedicated register.

The table below summarizes the indicators used to monitor health and safety within Innate Pharma over the last three years:

	2014	2015	2016
Health and safety conditions			
Number of planned preventative actions	31 (33 incl. 2 which were not necessary)	30 (33 incl. 3 which were not necessary)	29 (32 incl. 3 which were not necessary)
Number of preventative actions implemented	24	20	21
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	77.42%	66.67%	72.41%
Number of Health and Safety (H&S) training actions planned	8 (9 incl. 1 which was not necessary)	7 (8 incl. 1 which was not necessary)	8 (10 incl. 2 which were not necessary)
Number of H&S training actions implemented	5	4	6
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	62.50%	57.14%	75.00%

	2014	2015	2016
Workplace accidents*, in particular their frequency and severity, and occupational illnesses			
Number of workplace accidents with absence from work	0	4	3
Frequency rate* of workplace accidents with absence from work	0	22.54	14.12
Severity rate** of workplace accidents	0	0.82	0.44
Number of workplace accidents with no absence from work	5	2	4
Frequency rate* of workplace accidents with no absence from work	34.42	11.27	18.82
Number of incidents	4	9	4
Frequency rate* of incidents	27.54	50.72	18.82
Number of occupational illnesses	0	0	0

* Frequency rate = (Number of events) x 1,000,000/(Annual number of hours theoretically worked)

** Severity rate = (Number of days' absence from work associated with workplace accidents) x 1,000/(Number of hours worked)

- Health and safety policies

Staff safety and management of working conditions are key factors for the Company's durable development.

The Company has met the mandatory notification requirements for its installations and has the relevant approvals for carrying out its activities. The installations undergo technical inspections and checks in accordance with the applicable regulation. Staff has the necessary accreditations and training to use the equipment and do so in accordance with Health and Safety. Staff are subject to medical monitoring by the occupational health physician (enhanced monitoring when necessary), with whom a psychosocial risk warning mechanism has been set up. The registers are kept up to date.

The Annual Mandatory Negotiations did not lead to set up new agreements on health and safety in 2016.

- Annual risk prevention program

During the year, the annual risk prevention program was introduced and followed-up during the Health, Safety and working conditions Committee quarterly meetings. The occupational health physician attended to every meeting. The minutes of each meeting are distributed to the entire workforce, the occupational health physician and the health and safety inspection.

The Health and Safety team implemented the annual risk prevention program (72% completed). All regulatory and required actions have been achieved; only additional improvement actions at the Company's initiative could not be entirely achieved. All partly completed actions or those actions not yet carried out will be carried forward to the 2017 annual risk prevention program.

The 2016 Health and Safety training plan was 75% completed.

Incidents and accidents that occurred during 2016 were analyzed both when they were recorded and during meetings of the Occupational Health & Safety Committee, and the necessary corrective and preventive actions were defined and implemented. Workplace accidents decreased in 2016. One of them was a commuting accident. The two other accidents happened on site: a fall in the stairs and a deep cut during a maintenance operation on technical facilities. Workplace accidents with no absence from work are all commuting accidents. Finally, the incidents recorded during 2016 mainly occurred during laboratory operations and were generally minor injuries such as cuts or pricks.

An annual risk prevention report is produced each year giving a detailed account of all this information.

Working Conditions

The Company is located in a wooded area on a site that it owns. The building dates back to 1969 and was refurbished in 2008, before Innate Pharma moved into its new premises. Staff has a private car park and access to a local bus service.

An investment budget and a building & working conditions improvement budget are voted on each year. In 2016, the Company refitted several offices and laboratories to accommodate new employees and reorganize the space according to the newly created teams. The reconfiguration was carried out in-house in consultation with the users and amounted roughly a million euros.

Besides, in 2016 the Company rented and converted additional premises in a building located in the Luminy Biotech zone of Luminy's Scientific Park, nearby the main building.

At the same time, discussions are being conducted on a proposed expansion of the premises to help accommodate future employees. A construction permit has been submitted in 2016 to build a new facility on a site neighboring Innate Pharma's main building. This project takes into consideration environmental issues and includes reflection on minimizing the Company's environmental impact.

e. Training

The table below summarizes the indicators used to describe training within Innate Pharma over the last three years:

	2014	2015	2016
Total number of hours of training			
Total number of hours of training (hours committed)	1,527	2,105	3,698
Average number of hours of training per employee per year	16.7	18.8	27.6
Percentage of staff who received training	72	90	103
Percentage of senior staff 45 years and over who received training	52	80	97

- Training policies implemented

The Company is continuing its long-term training policy, based on strengthening collective and individual skills. The amount of training remains above the legal requirements. All the hours of training that were booked in 2016 were completed.

The percentage of staff who received training increased by 14% in 2016. 2016 percentage is over 100% because it is based on average workforce. The percentage of senior staff 45 years and over who received training was 97% and increased by 21%, well over the Company's senior plan's objectives, set at 50%.

These higher rates, year after year, show Innate Pharma's involvement in workforce support to facilitate the integration of new hires in their positions and in the continuous development of the entire workforce's skills.

Permanent training is centered around the following: communication in English, development of cross-disciplinary skills, training on new tools and regulatory monitoring.

An immunology training is recorded in Innate Pharma's Training Plan for some years. The aim is to enable each employee to have a basic on advanced knowledge in immunology, and hence, to better understand their working environment. In 2016, Innate Pharma created a customized program with Aix-Marseille University. Two sets have been rolled out yet: "Introduction to immunology" for the non-scientific workforce and "Principles of immunology" which is aimed at laboratory staff. These two programs achieved great success. These actions will be extended to 2017. A third set aimed at scientific staff keen to deal with immunology in depth will be put in place early 2017.

f. Equal Treatment

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

The table below summarizes the indicators used to describe equal treatment within Innate Pharma over the last three years:

	2014	2015	2016
Measures to support gender equality			
Percentage of women in management	50%	61%	59%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	1.01%	0.85%	1.30%

- Measures taken to support equal treatment for women and men

The Executive Committee, the management and the HR department are mindful of equal treatment for men and women during discussions on individual pay raises and professional development.

The rate of women with a management position is stable. Several women evolved towards team management, one of them who held an executive position integrated the Executive Committee this year.

In 2016, the rate of men/women recruitment is balanced.

Employees are making increasingly frequent use of government measures: adjustment of daily working hours to the end of the school day or for children's events, money vouchers for purchasing services (employment and services vouchers - CESU) and part-time working at 90% of full-time. Staff also made use of the company's flexibility on the use of Working Time Account days for family reasons. In 2016 three employees (including 1 new employee) were able to benefit from two cradles reserved by Innate Pharma at the company nursery at the Luminy site. The "Flexi-crèches" system also allows emergency accommodation of children of Company personnel, particularly in the event of the failure of the traditional means of care.

- Measures taken to support the employment and integration of disabled people

The percentage of disabled workers employed slightly increased in 2016. A current employee obtained the the RQTH[10] recognition in 2016 and his position has been upheld.

The "Hand'Innate" team has been created around the disability correspondent appointed in 2015. This is team is composed by 3 employees who hold functions in different areas of the Company. They helped to develop the actions envisaged by the 2016 Disability Plan, in particular the awareness plan, through periodic communications (information meetings, newsletters, etc.) aimed at the employees, managers and executives.

The team connected with HandiEM's representative, the disability reprensentative of the professional field (EM, Entreprises du Médicament, Pharmaceuticals companies), to develop a set of actions adequate to the corporate environment. This set has been shared with the Workforce's Representative Bodies.

[10] official recognition of a person's status as a worker with a disability

g. Promotion of and compliance with the stipulations of the fundamental conventions of the International Labor Organization (ILO) concerning respect of the freedom of association and the right to collective bargaining, elimination of discrimination in respect of employment and occupation, elimination of forced or compulsory labor, and effective abolition of child labor

All employees of Innate Pharma are based in France. The Company complies with all applicable regulations.

Furthermore, France has ratified the eight fundamental conventions of the ILO. The ILO has qualified as «fundamental agreements» the conventions concerning the following principles and fundamental labor rights: freedom to unionize and effective recognition of the right of collective bargaining, elimination of forced or compulsory work, effective abolition of child labor and elimination of discrimination in the area of employment and profession.

Innate Pharma shares these principles, which are implemented in the Company's social relations, its policy regarding recruitment and equality of opportunity.

2. Environment

a. General environmental policy

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

These activities do not include either industrial production or distribution, and do not therefore use raw materials. Therefore, there are no significant releases into the environment or greenhouse gas emissions. The Company's activities do not require the use of town gas, but very small quantities of special gases are used. In addition, given its activity, the adaptation to climate change consequences is not an issue for the Company at this stage. The activities do not produce any particular noise nuisance for staff or local residents.

The Company does not have a staff canteen which could offer an on-site institutional catering service. It is not able to control potential food wastage in its premises. This indicator is put aside of its reporting. Nonetheless, given that most employees bring their own lunch, food wastage may be limited.

Innate Pharma's main premises are installed near the newly-created Calanques National Park. The Company's R&D activities have a limited impact on biodiversity. However, to protect the area's fauna, the Company is enclosed. Innate Pharma acquired and refurbished its building in 2008. It occupies 3,000 square meters of the 10,650-square-meter land, which hosts a 100-space parking lot. Since the building already existed when the Company took over it, land use was not a relevant indicator for the Company until 2016. Nevertheless, workforce growth has led to consider premises' extension. Studies will be carried out according to current obligations (land, biodiversity, etc.). Green spaces are maintained according to current regulation (notably regarding wildfire hazard).

Given its business area, neither has the Company set up action preventing actions for environmental and polluting risks, nor provisions and guarantees regarding environmental risks. This is not relevant at this stage.

For its research work, the Company operates within an extremely tight regulatory framework, with which it complies. The Company has all the approvals required for carrying out is activities.

In this context, only the following indicators have been chosen as being relevant:

- Sustainable use of resources:
  - Energy consumption
  - Annual volume of water consumption
- Pollution and waste management

- Quantity of laboratory waste sent to a special waste management center
- Business travel

Despite an impact seen as low, the Company and its workforce are involved daily in sustainable development thanks to a set of practical environmental actions undertaken regarding the main building and its energy footprint. Internal informational memos as regards environment are sent to employees via messaging services.

b. <u>Sustainable Use of Resources</u>

Annual electricity and water consumption are reported for Innate Pharma's main building. The consumption of additional rented buildings, located in Luminy's Biotech zone, is handled by Luminy's Scientific Park and is not included.

o Energy consumption annual electricity consumption

The only energy source used by Innate Pharma is electricity, apart from an oil-fueled backup generator. The following table gives the change in Innate Pharma's annual electricity consumption for the last three years:

	2014	**2015**	**2016**
Consumption in kWh	1,237,366	1,299,857	1,261,520

The overall decreased between 2015 and 2016. This drop resides in a soft winter, the arrangement of part of the offices' space into laboratories and the enhancing work of the built, especially regarding insulation. For information only, the 1,261,520 kWh consumed in 2016 equates to 33.14 metric tons of CO2 (versus 25 metric tons in 2015).

Innate Pharma's building, which dates back to the late 1960s, underwent refurbishment work when the Company moved in. Each year, work is carried out to improve its energy performance. An energy audit was initiated in March 2015. After more than a year of observations, conclusions were presented to the CSR group in October 2016 and lead to:

- Identify strengths and weaknesses relative to the building's global energy consumption and its incidence on users's comfort;
- Reveal the premises' areas of energy improvement and sustainable solutions to curb CO2 emissions.

In 2017, several actions will be planned to take the auditor's energy-saving recommendations into account. Besides, the recent laboratories' organization work may have thrown the hydraulic network (heating system, air conditioning, etc.) off balance at some point. The Company will consider recommissioning its network in 2017.

o Annual volume of water consumption.

Apart from domestic hot water, the building's water consumption is mainly associated with laboratory activities. Water discharged after use is mainly that from the washing machines and sinks in the various laboratories.

The following table gives the annual comparison of water consumption for the last three years:

	2014	**2015**	**2016**
Consumption in m^3	1,119	1,358	1,732

The overall increase in water consumption is due to the dense development of laboratories and cleaning activities.

c. Pollution and Waste Management

- Quantity of laboratory waste sent to a special waste management center

The following table gives the annual comparison of the quantity of laboratory waste sent to a special waste management center:

	2014	2015	2016
Quantity in liters	102,820	121,680	132,430

Waste from the research work is treated by a specialist company which removes it from the site where it is produced and takes it to an incineration center. The volume of this waste increases regularly due to the increase in the activities of the laboratories.

Staff members contribute to the continuous improvement of waste management through paper and box recycling in waste sorting bins arranged for this purpose. A collection system of aluminum coffee capsules has also been set up. Employees can drop their professional and personal used capsules off there.

- Business travels

Based in Marseille but having international activities, the Company encourages teleconferencing. When business travel is required, the Company favors, wherever possible, travel by train, which has lower CO_2 emissions than air travel. However, many contacts of the Company are based in the United States (regulatory agencies, investigators, investors, industrial partners, scientific meetings…), which lower the opportunities for reducing CO_2 emissions apart from teleconferencing.

The following table gives the annual comparison of the quantity of metric tons CO_2 equivalent emissions during business travels using trains or planes:

	2014	2015	2016
Metric tons CO_2 equivalent	N/A	699	807

CO2 emissions are calculated and made available to the Company by the travel agency. The Company does not have sufficient information to assess the amount of CO_2 emitted during business trips by car.

3. Corporate Commitments in Support of Sustainable Development

a. Territorial, Economic and Social Impact of the Company's Activity

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

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

In this context, Innate Pharma is active on a number of levels:

- The Company is actively involved in the promotion and development of the Luminy science and technology park through development and infrastructure programs (services, sport, transport), job centers, training courses and the sharing of services between companies (with the Association Grand Luminy Technopole - Luminy science and technology park association - and AMU - Aix-

Marseille University campus plan committee). More generally, the Company raises important issues concerning the attractiveness of the area with institutional players and local and regional authoritiesincluding the question of schooling in Marseille for the children of English-speaking families, which is a limiting factor for international recruitment and exchanges.

- In conjunction with the educational institutions in the area (schools and universities), the Company contributes to the education of young people and students (career days, taking on trainees, presentations of jobs and careers to students as part of their university courses, involvement in university teaching, contribution to the structuring of the initial and continuing education offering in immunology). The Company is a host laboratory for the Aix-Marseille University life sciences PhD program (Ecole Doctorale des Sciences de la Vie d'Aix-Marseille-Université). In 2016, Innate Pharma strengthened its partnership with Luminy's engineering school, Polytech, through cross actions (in-school meetings and exchanges, Innate Pharma visits, intern receptions).
- The Company plays a leading role in its field in structuring the "Marseille-Immunopôle" immunology research and innovation ecosystem, which is part of the Eurobiomed competitive cluster led by Professor Eric Vivier (CIML) and Hervé Brailly, Chairman of the Company's Executive board till December 2016. The Company was one of the initiators of the project to set up CIMTECH, together with Aix-Marseille University (which led the project), the IPC, the CNRS (French national center for scientific research) and INSERM (French national institute for medical research). CIMTECH (now called MI-mAbs "Marseille Immunopole monoclonal antibodies") is a partnership platform which focuses on monoclonal antibodies for the treatment of cancer and inflammatory diseases. The Company is now part of the governing body of the consortium running MI-mAbs. The Company has provided resources and staff for the general and technical coordination of the project to set up the MI-mAbs laboratory, which is located very close to Innate Pharma. MI-mAbs is the first landmark project of Marseille-Immunopole.

b. Subcontracting and Suppliers

A substantial part of Innate Pharma's activities are carried out by service providers, in particular those activities requiring a regulatory viewpoint on specific approvals (for example, Good Manufacturing Practice and Good Laboratory Practice). The service providers used by Innate Pharma mainly provide intellectual services. These include CROs (clinical research organizations managing regulatory clinical or pre-clinical trials) in charge of drug candidate production and control, mainly established in Western Europe and the United-States. The main suppliers also include financial bodies with which the Company has taken out leases, in particular for the acquisition of its head office, and laboratory equipment suppliers.

Rigorous selection of suppliers and subcontractors of the Company is carried out based on multiple criteria, consideration of competition and an audit of qualifications when necessary.

All service providers selected must comply with the applicable regulatory requirements and the expectations of Innate Pharma at the operating and quality levels. Furthermore, the inspections carried out by the competent authorities in connection with issuance of the agreements constitute additional assurance.

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

c. Fair Practices

- Corruption

- *Actions undertaken to prevent corruption:*
  - Existence and distribution of a fraud prevention memorandum;
  - Existence and distribution of a code of ethics;
  - Policy on accepting or offering gifts;

- Existence and distribution of rules concerning insider trading (financial code of ethics);
- Existence of and information on the control and limitation of expenses;
- Implementation of the legal obligations on public disclosure (French "Bertrand" law);

The Company has carried out an inventory of the geographical location of its main suppliers in order to determine the percentage of its service providers located in countries for which the Corruption Perceptions Index (CPI) score is above 60. This operation looked at 9 suppliers, representing 52.6% of the payments made by the Company in 2016. It indicated that all these suppliers (100%) are located in countries for which the CPI score is above 60. For those suppliers whose parent company is located in another country, both locations were taken into account (that of the parent company and that of the subsidiary with which Innate Pharma has a contract).

- Animal Experimentation

In the context of these R&D activities, the Company carries out pre-clinical studies which are conducted within a strict regulatory framework. In accordance with Directive 2010/63/EU, the Company has set up an Ethical Committee on Animal Experimentation which has been affiliated to the National Ethics Committee since 2012. It approves all the protocols that are implemented, considering the scientific relevance of experiments conducted and animal well-being. For studies that are assigned to external service providers, Innate Pharma ensures that the same regulatory framework is adhered to. For experiments using genetically modified organisms, the regulatory framework requires authorization from the Ministry of Higher Education and Research regarding the scientific relevance of the projects, the protection of staff handling the organisms and measures to prevent any spread of these organisms by the use of appropriate containment procedures and equipment. The Company also complies with these regulations and implements all relevant measures for the protection of staff and the environment.

d. Measures taken to support the health and safety of consumers

None of the Company's drug candidates is currently on the market or has marketing authorization. Those that are furthest advanced are being tested on humans in the context of clinical trials that are governed by stringent regulations. They are in particular subject to prior authorization not only by the regulatory authorities but also by ethical committees consisting of a medical team and patient representatives.

e. Other actions undertaken to promote human rights

- Measures taken to promote patient safety

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

The Company's practices aiming to produce reliable, pertinent and traceable data are controlled through our quality system, which draws on everything from exploratory research to clinical development. All of our activities are managed by the Innate Pharma Quality Charter.

Product reliability is controlled throughout the development process for the drug candidate, and the Company undertakes to maintain the highest levels of requirements regarding quality:

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

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

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

VIII. Shareholder structure

The table below shows the distribution of the Company's shares and voting rights on February 10, 2017, to the knowledge of the Company:

Shareholders	**Number**	**%**	**Number**	**%**
Company Officers including :	6,819,340	12.63%	6,819,340	12.63%
- Members of the Executive board	*113,537*	*0.21%*	*113,537*	*0.21%*
- Members of the Supervisory board	*6,705,803*	*12.42%*	*6,705,803*	*12.42%*
- including Novo Nordisk A/S	*5,564,708*	*10.3%*	*5,564,708*	*10.3%*
Employees without Company officers	498,276	0.92%	498,276	0.92%
Bpifrance Participations	4,396,682	8.14%	4,396,682	8.14%
Perceptive Advisors LLC	2,735,842	5.06%	2,735,842	5.06%
Treasury shares	18,575	0.34%	0	0.00%
Other shareholders	39,542,039	73.22%	39,542,039	73.22%
Total	54,010,754	100.00%	53,992,179	99.96%

1 Employees recorded in nominative accounts

On the date of this report, to the Company's knowledge there were no other shareholders holding more than 5% of the share capital.

The table below shows the distribution of the Company's shares and voting rights on January 31st, 2016, to the knowledge of the Company:

Shareholders	**Number**	**%**	**Number**	**%**
Company Officers including :	6,682,340	12.41%	6,682,340	12.42%
- Members of Executive board	*1,198,321*	*2.22%*	*1,198,321*	*2.23%*
- Members of Supervisory board	*5,484,019*	*10.19%*	*5,484,019*	*10.19%*
- including Novo Nordisk A/S	*5,422,708*	*10.07%*	*5,422,708*	*10.08%*
Employees excluding Company[1]	459,596	0,85%	459,596	0,85%
Bpifrance Participations	4,396,682	8.17%	4,396,682	8.17%
Taube Hodson Stonex Partners LLP	2,710,623	5.03%	2,710,623	5.03%
Treasury shares[2]	18,639	0.03%	0	0.00%
Other Shareholders	39,568,834	73.50%	39,568,834	73.50%
Total	53,836,714	100.00%	53,818,075	100.00%

[1] Employees holding their shares in registered form

[2]Through the liquidity contract

This is a free translation into English of the executive board management report issued in French and provided solely for the convenience of English speaking users.

The table below shows the distribution of the Company's shares and voting rights as of January 31, 2015, to the knowledge of the Company:

	Shares		Voting rights	
Shareholders	**Number**	**%**	**Number**	**%**
Company officers	6,523,504	12.29%	6,523,504	12.29%
Including members of the :				
- *Executive board*	*1,029,160*	*1.94%*	*1,029,160*	*1.94%*
- *Supervisory board*	*5,494,344*	*10.35%*	*5,494,344*	*10.36%*
- *including Novo Nordisk A/S*	*5,422,708*	*10.22%*	*5,422,708*	*10.22%*
Employees excluding Company officers[1]	365,555	0.69%	365,555	0.69%
Bpi Group	4,396,682	8.28%	4,396,682	8.29%
Wellington Management Company, LLP	4,191,491	7.90%	4,191,491	7.90%
Orbimed	3,843,896	7.24%	3,843,896	7.24%
Fidelity Investments	3,115,091	5.87%	3,115,091	5.87%
Treasury shares[2]	26,659	0.05%	0	0.00%
Other shareholders	30,622,386	57.69%	30,622,386	57.71%
Total	53,085,264	100.00%	53,085,605	100.00%

[1] Employees holding their shares in registered form

[2] Salariés inscrits au nominatif

Passing of treshold by

GAM International Management Limited:

In a letter received on December 2, 2016 the company GAM International Management Limited, acting for the account of clients and funds that it manages, declared that on November 30, 2016 it passed below the threshold of 5% of the Company's share capital and voting rights and holding for the account of said clients 2,644,890 shares of INNATE PHARMA, representing the same number of voting rights, coming to 4.91% of the Company's share capital and voting rights.

Such passing of thresholds results from a sale of INNATE PHARMA shares on the market.

Passing of treshold by Perceptive Advisors LLC :

In a letter received on September 22, 2016 the company Perceptive Advisors LLC, acting for the account of clients and funds that it manages, declared having passed a threshold and then rectified such declaration by latter dated September, 30 2016 indicating that on September 19, 2016 it passed above the threshold of 5% of the Company's share capital and voting rights and holding for the account of said clients 2?735,842 shares of INNATE PHARMA, representing the same number of voting rights, coming to 5.08% of the Company's share capital and voting rights.

Such passing of thresholds results from a purchase of INNATE PHARMA shares on the market.

Passing of threshold by Taube Hodson Stonex Partners:

In a letter received on September 5, 2016, the company Taube Hodson Stonex Partners LLP, acting for the account of clients and funds that it manages, declared that on August 31, 2016, it passed below the threshold of 5% of the Company's share capital and voting rights and no longer hold any shares of Innate Pharma..

Such passing of thresholds results from the purchase of Taube Hodson Stonex Partners LLP by GAM, on August 31, 2016. GAM International Management Limited was appointed as « *investment adviser »* of all the funds in replacement of Taube Hodson Stonex Partners LLP.

Passing of treshold by GAM International Management Limited:

In a letter received on September 2, 2016 the company GAM International Management Limited, acting for the account of clients and funds that it manages, declared that on November 30, 2016 it passed above the threshold of 5% of the Company's share capital and voting rights and holding for the account of said clients 2,734,216 shares of INNATE PHARMA, representing the same number of voting rights, coming to 5.07% of the Company's share capital and voting rights.

Such passing of thresholds results from the purchase of Taube Hodson Stonex Partners LLP by GAM, on August 31, 2016. GAM International Management Limited was appointed as « *investment adviser »* of all the funds in replacement of Taube Hodson Stonex Partners LLP. GAM International Management Limited is a « *discretionary investment manager* » for some funds and distinct clients.

Passing of treshold by Taube Hodson Stonex Partners :

In a letter received on January 21, 2016 the company Taube Hodson Stonex Partners LLP, acting for the account of clients and funds that it manages, declared that on January 21, 2016 it passed above the threshold of 5% of the Company's share capital and voting rights and holding for the account of said clients 2,710,623 shares of INNATE PHARMA, representing the same number of voting rights, coming to 5.03% of the Company's share capital and voting rights.

Such passing of thresholds results from a purchase of INNATE PHARMA shares on the market.

IX.- Dividends paid during the last three fiscal years

None.

X.- The Company's purchasing of its own shares

In accordance with an authorization of the Ordinary and Extraordinary General Meeting of the Company's shareholders' on April 27, 2015, the Executive board may implement a program to purchase Company shares, under the provisions of article L. 225-209 of the French Commercial Code and in accordance with the General Regulations of the AMF.

Under such share purchase program, the maximum purchase price by share amounted to € 20 and the maximum amount of the funds dedicated to the implementation of this program was € 1,000,000.

Besides, the maximum number of shares, which could be purchased under such authorization couldn't exceed 10% of the total number of shares forming the share capital of the Company. The authorization of implementation of the share purchase program was granted to the Executive board for a 18-mointh period as from the General Meeting of April 27, 2015.

A liquidity contract was entered into on July 27, 2012 with the company Gibert Dupont with effect on August 31, 2012. Such contract was terminated on May 16, 2016. Following such termination, the Company held, on December 31, 2016, 18,575 treasury shares.

XI.- Transactions carried out by the directors with respect to the Company's shares

During the fiscal year ending December 31, 2016, the Company's directors made the following declarations concerning transactions that had been carried out, as specified in article L621-18.2 of the French Monetary and Financial Code:

Date of declaration	Director	Date of transaction	Price by share (in €)	Total amount (in €)
January 10, 2016	Nicolai Wagtmann	Purchase of shares on January 8, 2016	13.1086	104,468.52
April 1, 2016	Person relating to Patrick Langlois	Purchase of shares on March 31, 2016	12.17	12,170
April 1, 2016	Patrick Langlois	Purchase of shares on March 31, 2016	12.17	12,170
June 3, 2016	Catherine Moukheibir	Exercise and sale of BSA on May 20, 2016	11.8902	297,255
June 10, 2016	Jérôme Tiollier	Purchase of shares on June 1, 2016	12.988	129,884
June 10, 2016	Jérôme Tiollier	Purchase of shares on June 1, 2016	12.665	9,499.42
June 10, 2016	Jérôme Tiollier	Sale of shares on June 1, 2016	13.1	131,000
June 14, 2016	Person relating to Jérôme Tiollier	Purchase of shares on June 1, 2016	12.665	9,499.42
December 29, 2016	Novo Nordisk A/S	Purchase of shares on December 23, 2016	14.178332	708,916.6
		Purchase of shares on December 27, 2016	14.3391	716,955
		Purchase of shares on December 28, 2016	14.3037	600,755.4
December 30, 2016	DFC Langlois, company relating to Patrick Langlois	Purchase of shares on December 27, 2016	14.2500	57,000
January 13, 2017	Marcel Rozencweig	Exercise and sale of BSA on December 22, 2016	14.2770	545,381.4

X.- Non-deductible expenses

Sumptuary expenses, as defined in article 39, paragraph 4 of the French General Tax Code, incurred by the Company during fiscal year ending December 31, 2016 consist of 111,696 euros of attendance fees and 17,273 euros of excess depreciation on the passenger vehicles.

XI.- Overhead giving rise to tax adjustment of the taxable income

The Company has not incurred any excessive overhead or overhead that is not included in the specific schedule giving rise to tax adjustment as specified in article 39, (5) of the French General Tax Code during fiscal year ending December 31, 2015.

XII.- Subsequent events

Refer to «Post period event- » page 6 of this report.

The Executive board