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EXECUTIVE BOARD MANAGEMENT REPORT
ANNUAL CONSOLIDATED AUDITED ACCOUNTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014

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, 2014 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, 2014 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.

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

Position and activities of the Company during the fiscal year 2014

Innate Pharma (the "Company ") develops innovative immunotherapy drug candidates for the treatment of cancer and inflammatory diseases. The Company specializes in the development of new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells.

Innate Pharma's portfolio includes two clinical-stage drug candidates. The most advanced, lirilumab, is currently being tested in a randomized Phase II trial in cancer and is licensed to the US pharmaceutical company Bristol-Myers Squibb. The Company has another proprietary drug candidate in Phase II clinical trials in cancer as well as other proprietary programs in preclinical development, the most advanced of which could enter clinical development in 2015.

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

In 2014, the Company continued to make progress in all its strategic axes, most notably in strengthening its portfolio of candidates with the acquisition of a new, first-in-class, Phase II ready antibody, IPH2201. Innate Pharma also moved forward in the development of its drug candidates with the progress and broadening of the clinical program of its most advanced candidate, lirilumab, the start of the IPH2201 Phase II program, the preclinical development of IPH4102 and IPH43, and lastly, the building of a proprietary antibody technology platform.

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

In 2014, the clinical development of lirilumab progressed and was expanded with the launch of new trials, bringing to five the number of clinical trials ongoing, in a variety of solid and hematological cancers and in several combinations.

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):

In 2014, the target enrollment of 150 patients was completed. Two assessments by the Data and Safety Monitoring Board ("DSMB"), in March and September, recommended continuation of the trial as planned. EffiKIR results on the primary efficacy endpoint, Leukemia-Free Survival, are expected by the end of 2015. No interim analysis is planned.

- Phase I trial of lirilumab as a single agent:

In July 2014, Innate Pharma completed the single-agent Phase I trial of lirilumab. This safety trial enrolled 37 patients with a variety of hematological and solid tumors with slowly progressive or stable disease or in complete response, thus not enabling measurement of tumoral response. Patients received up to four doses of lirilumab, ranging from 0.015 mg/kg to 10 mg/kg. The primary endpoint was safety. Lirilumab appeared to be well tolerated, with a safety profile

consistent with earlier observations with IPH2101[1]. The maximum tolerated dose was not reached. This study paved the way for the randomized Phase II EffiKIR trial with lirilumab.

- Phase I trials of lirilumab in combination in selected solid tumors:

In March 2014, Innate Pharma announced the completion of dose escalation and the start of the cohort expansion part of the Phase I clinical trial testing the combination of the two checkpoint inhibitors lirilumab and nivolumab. Recruitment for this latter trial is almost complete.

In December 2014, enrollment of new patients in the Phase I trial testing the combination of lirilumab and ipilimumab in selected solid tumors was closed. There were no safety issues, leading to this decision, and patients still under treatment or in active follow-up continue as planned in the study protocol.

- Phase I trials of lirilumab in combination in hematological tumors:

In October 2014, two new Phase I trials started. The first tests the tolerance and safety of lirilumab in combination with elotuzumab in the treatment of Multiple Myeloma, and the second tests the combination of lirilumab with nivolumab in various hematological tumors. These new Phase I trials initiated by Bristol-Myers Squibb are the first combinations trials of lirilumab in hematological tumors.

In December 2014, two posters showing preclinical data supporting the rationale for the Phase I trial testing the combination of lirilumab and elotuzumab were presented at the ASH Annual Meeting.

IPH2201 (anti-NKG2A antibody):

On February 5, 2014, Innate Pharma and Novo Nordisk A/S announced that Innate Pharma had acquired full development and commercialization rights to IPH2201 (anti-NKG2A antibody) from Novo Nordisk A/S. In consideration of the license of IPH2201 to Innate Pharma, Novo Nordisk A/S received 2 million euros in cash and 600,000 Innate shares[2] and is eligible to a total of 20 million euros in potential registration milestones and single-digit tiered royalties on future sales.

In December 2014, a first patient was treated in the first Phase II trial of IPH2201, opened at the Charité Comprehensive Cancer Center in Berlin, Germany. This trial tests IPH2201 as a single agent in a pre-operative setting of squamous cell carcinoma of the oral cavity, a tumor type representative of the larger group of squamous cell cancers of the Head and Neck. Four other trials are planned as part of the clinical development plan presented in April 2014 during an R&D update to the financial community. Innate Pharma intends to start additional Phase II trials with IPH2201 in 2015, in three priority indications (Head and Neck cancer, Chronic Lymphocytic Leukemia and ovarian cancer), as a single agent and in combination.

[1] IPH2101 is the parent version of lirilumab (also known as IPH2102). They are produced in hybridoma and CHO cells, respectively.

[2] At a price of 8.33 euros per share. The acquisition of the Innate Pharma shares was subject to the approval of Innate Pharma shareholders. A general shareholders meeting convened on March 27, 2014 voted in favor of this acquisition.

IPH4102 (anti-KIR3DL2 antibody):

In 2014, IND-enabling studies for IPH4102 were completed. In August, IPH4102 was granted orphan drug designation for the treatment of cutaneous T cell lymphoma by the European commission. A clinical Phase I trial will start in 2015.

IPH43 (anti-MICA antibody):

In 2014, Innate Pharma progressed in the validation of MICA as a target in oncology. Antibodies were humanized and lead candidates have been characterized in order to select the best development candidate.

Antibody-drug conjugate technology:

In 2014, new preclinical data showing the interest of Innate Pharma's proprietary site-specific conjugation technology (« BTG-ADC ») were presented at the « World ADC Summit ».

Patents acquired and developed

In 2014, the Company filed twelve new proprietary patent applications as well as twenty-seven applications extending its existing proprietary patents (including five PCTs (Patent Cooperation Treaties) and twenty-two national applications).

The Company has also filed thirteen patent applications for extensions to patents co-owned with academic or industrial partners and six patent applications for an extension to a patent held solely by its academic or industrial partners. The Company did not seek to acquire patents during the fiscal year ended December 31, 2014 but was granted an exclusive license by the Paul Scherrer Institute in respect of jointly owned patents.

In February 2014, Innate Pharma acquired full development and commercialization rights to the anti-NKG2A antibody from Novo Nordisk A/S.

2. Business results during the fiscal year 2014

2.1. Consolidated financial statements

The consolidated financial statements for the fiscal year ended December 31, 2014 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. They also include, for the first six months of the fiscal year, the 33.26% holding in Platine Pharma Services SAS, registered in France. This holding was reduced to 9.87% in July 2014 following the equity investment of Advanced Bioscience Laboratories Inc. Following this operation, the Group no longer has any significant influence on Platine Pharma Services SAS. This company is therefore no longer consolidated as at December 31, 2014, except for the share of the loss relating to the first half of the year.

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.

On February 5, 2014, Innate Pharma SA has acquired from Novo Nordisk A/S full development and commercialization rights to the anti-NKG2A antibody for an amount of 7 million euros (2 million euros in cash and 600,000 shares Innate Pharma).

In this context, the net loss of the Company increased from 2.9 million euros in 2013 to 19.6 million euros in 2014. This rise of the loss mainly results from:

i. The 11.6 million euros decrease of the revenues resulting from the collaboration and licence agreement signed with Bristol-Myers Squibb in July 2011. This variance mainly results from the decrease of the expected residual length of the trials mentioned in the contract. Consequently, an amount of 3.4 million euros, initially planned to be recognized in revenue in 2014 was included in 2013.

ii. The 8.1 million euros increase of the operating expenses, this variance mainly resulting from the rise of the subcontracting costs (4.1 million euros), the amortization expenses (1.5 million euros) and the staff costs (1.0 million euros).

Cash, cash equivalents and financial instruments increased from 41.3 million euros at December 31, 2013 to 69.2 million euros at December 31, 2014. This positive variance mainly results from the capital increase performed through a private placement carried out in June 2014 towards specialized investors for a net amount of 47.8 million euros (50.0 million euros gross).

At the same time, the indebtedness (finance lease for the Company's headquarters) decreased from 4.8 million euros at December 31, 2013 to 4.2 million euros at December 31, 2014.

Details of the business results

Operating revenue

Revenue from collaboration and licensing agreements respectively amounted to 12.5 and 0.9 million euros for the fiscal years ended December 31, 2013 and 2014. These revenues result from the licensing agreement signed with Bristol-Myers Squibb in July 2011. This variance mainly results from the fall of the amount relating to the spreading over of the upfront payment, in accordance with the progress of the clinical trials.

For the 2014 fiscal year, recorded grants involve a grant amounting to 0.2 million euros related to the FP-7 European program.

For the fiscal years ended December 31, 2013 and 2014, the calculation of the research tax credit is based on 30% of the amount of eligible expenses for the fiscal year. This tax credit respectively amounted to 4.2 and 6.5 million euros for the fiscal years ended December 31, 2013 and 2014.

Operating expenses

The cost of supplies and consumable materials amounted to 1.5 million euros and 1.7 million euros for the fiscal years ending December 31, 2013 and 2014. This line item is mainly composed of consumable materials for the laboratory activities.

Intellectual property expenses amounted to 0.3 million euros and 0.5 million euros for the fiscal years ending December 31, 2013 and 2014. These expenses include the cost of filing and protecting patents (including patents that were acquired from third parties and where the agreements specified that Innate Pharma is responsible for the relevant costs) as well as the costs for obtaining an option or license for intellectual property. In accordance with IAS 38, considering the degree of maturity of the Company and the uncertainty that exists as to the outcome of its research and development projects, intellectual property expenses are recorded in expenses.

We filed 54 and 58 patent applications respectively during the years ended December 31, 2013 and 2014 (initial applications or applications for extension, for patents held solely or in collaboration with others).

Other purchases and external expenses amounted to 9.2 million euros and 14.4 million euros during the fiscal years ending ended December 31, 2013 and 2014, broken down as follows:

	Year ended December 31,	
In thousands of euros	**2014**	**2013**
Subcontracting	9,883	5,817
Travel and conference costs	1,157	794
Non-scientific consultancy	904	694
Leases, maintenance and utility	900	854
Scientific consultancy and services	860	454
Marketing, communication and public relations	314	283
Attendance fees	183	150
Others	232	173
Other purchases and external expenses	**14,432**	**9,219**

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 the development of the portfolio of preclinical and clinical programs.

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.

The rise of the line item between 2013 and 2014 results from both the increase of the employees called to travel and the development of our activities in the United-States.

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 2013 and 2014 mainly results from recruitment fees and the outsourcing of the reception role.

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

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 increase in these costs between 2013 and 2014 is mostly explained by the recruitment of some staff members as consultants, notably M. Pierre Dodion, new Chief Medical Officer of the Group, who was acting as a consultant before being hired as an employee.

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 compensation

Employee benefit expense other than share-based compensation came to 6.9 million euros and 7.9 million euros for the fiscal years ended December 31, 2013 and 2014.

This includes salaries and social benefit costs. On average, Innate Pharma had 83 employees during the fiscal year ended December 31, 2013 and 91 employees during the fiscal year ended December 31, 2014.

The average amount of staff costs per employee was 84 and 87 thousand euros for fiscal years ended December 31, 2013 and 2014.

Share-based compensation

Share-based compensation came to 0.3 and 0.4 million for the fiscal years 2013 and 2014. In accordance with IFRS 2, these costs correspond to the fair value of the capital instruments allocated to directors and employees. The costs recognized in 2013 and 2014 result from the issuance during the fiscal year of warrants for shares 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 for the 2013 and 2014 fiscal year.

Depreciation and amortization

These costs came to 0.9 and 2.3 million euros for the fiscal years ended December 31, 2013 and 2014 respectively. This variance results from the amortization of the intangible asset relating to anti-NKG2A purchased in February 2014. The relating amortization expense amounts to 1.6 million euro for the fiscal year 2014.

Net financial income

The net financial income amounted respectively to 0.1 million euros and 0.5 million euros for the fiscal years ended December 31, 2013 and 2014.

The Company's cash investment policy favours the absence of risk on principal and, wherever possible, guaranteed minimum performance.

The balance of cash, cash equivalents and financial instruments was 41.3 million euros and 69.2 million euros for the fiscal years ended December 31, 2013 and 2014. This improvement in terms of cash mainly results from the capital increase carried out in June 2014 for a net amount of 47.8 million euros.

Net gain / (loss) on dilution

As a consequence of the acquisition of an equity interest in Platine Pharma Services SAS by the company Indicia Biotechnology SA in July 2013, the Innate Pharma Group recognized a net gain on disposal for an amount of 0.2 million euros.

Share of result of associates and joint ventures

This amount represents the share of the Group of the loss of the company Platine Pharma Services SAS for the first half of the fiscal year 2014. Following the entry in the capital of the company Advanced Bioscience Laboratories Inc., this company is not consolidated anymore.

Net result of the year

Under international accounting principles (IFRS), the net consolidated loss respectively amounted to 2.9 and 19.6 million euros for the fiscal years ended December 31, 2013 and 2014.

2.2. Statutory financial statements (French GAAP)

The 2014 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 relates 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, operations relating to the accelerated tax depreciation and the actuarial gains et losses relating to the defined benefit obligations. At last, the consolidated financial statements include the result and the activity of all the 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 the French accounting principles, the net loss respectively amounted to 3.3 and 19.8 million euros for the fiscal years ended December 31, 2013 and 2014.

The Company propose to allocate the 2014 loss amounting to 19.8 million euros to the account « Retained earning ». After allocation of this loss, the account « Retained earnings » will represent losses for a cumulated amount of 104.2 million euros.

2.3. Schedule of trade payables to suppliers

The following tables present the breakdown of the Company's trade payables by due date as at December 31, 2014 and 2013:

Fiscal year ended December 31, 2014

	Balance December 31, 2014	Overdue	Due in Jan-2015	Due in Feb-2015	Due in Mar-2015	Due > Mar 2015
Trade payables	2 442	1 462	948	27	5	0
Advances and debt towards suppliers	-292					
Accruals	4 349					
Trade payables and related accounts	**6 499**					

Fiscal year ended December 31, 2013

	Balance December 31, 2013	Overdue	Due in Jan-2014	Due in Feb-2014	Due in Mar-2014	Due > Mar 2014
Trade payables	1 109	184	766	98	45	16
Advances and debt towards suppliers	-236					
Accruals	4 030					

2.4. Schedule of repayment of financial liabilities

The following table shows the simplified schedule of repayment of the financial liabilities (principal only) at December 31, 2014:

Schedule of repayment of financial liabilities	**2015**	**2016**	**2017**	**2018**	**2019 and following years**	**Total**
BPI PTZI 2013	—	150	300	300	750	**1,500**
Finance lease – Real estate transaction	582	609	636	665	1,011	**3,503**
Down-payment – Real estate transaction	(130)	(137)	(144)	(152)	(234)	**(797)**
Total	**452**	**622**	**792**	**813**	**1 527**	**4,206**

3. 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 and inflammatory disease) ;
- Search for partnerships to access development capabilities in order to maximize the potential of its products and to fund the Company's proprietary assets ;
- 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.
- Construct a proprietary antibody technology platform.

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 credit to support its operations. The Company's expenses should comprise research and development expenses, overheads 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, overheads 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 ;
- Its ability to enter into collaboration and licensing agreements for its other products with other companies in its sector ;
- 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 ;

Cash, cash equivalents and current financial instruments amounted to 69.2 million euros at December 31, 2014, corresponding to a cash horizon until end of 2017.

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

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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	**2010**	**2011**	**2012**	**2013**	**2014**
Net result (loss)	(13,658)	(6,980)	(3,199)	(2,892)	(19,647)
Equity	33,516	26,625	23,364	40,286	74,626

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

	2010	**2011**	**2012**	**2013**	**2014**
I. – Financial situation at year-end:					
a) Capital	1,884	1,884	1,897	2,287	2,649
b) Number of issued shares	37,687	37,687	37,936	45,736	52,970
c) Number of bonds convertible in shares	0	0	0	0	0
II. – Global result of the operations:					
a) Turnover excluding VAT	455	7,476	10,377	12,469	907
b) Net result before taxes, amortizations and provisions	(17,380)	(12,225)	(6,160)	(6,391)	(23,935)
c) Corporate tax	0	0	0	0	0
d) Net result after taxes, amortizations and provisions	(14,534)	(8,382)	(3,705)	(3,253)	(19,769)
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	(0.46)	(0.32)	(0.16)	(0.14)	(0.32)
b) Net result after taxes, amortizations and provisions	(0.39)	(0.22)	(0.10)	(0.07)	(0.37)
c) Dividend paid per share	0	0	0	0	0
IV. - Personnel:					
a) Number of employees	79	80	82	84	99
b) Staff costs	3,907	4,305	4,228	4,644	5,315
c) Welfare benefits	1,793	2,098	2,158	2,302	2,600

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	(549,525)	100	0	569,725

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 2014 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.

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III.- Share capital authorized but unissued

The following table summarizes the authority delegated to the Executive Board by the Extraordinary General Meeting of the shareholders on March 27, 2014:

Delegations of authority granted to the Executive board by the General Meeting 2014	**Maximum par value of the capital increase**	**Duration of delegation**	**Use during the 2014 fiscal year**	**Methods for determining the issue price**
Issuance of ordinary Company shares and/or securities giving access to the share capital of the Company reserved to Novo Nordisk A/S in connection with the acquisition of the anti-NKG2A antibody.	30,000 euros[4]	14 months[1]	30,000 euros[3]	8.33⅓ euros[2]
Issuance of ordinary Company shares and/or securities giving access to the share capital of the Company, 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)	571,700 euros[4]	14 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 share capital of the Company, without shareholders' preferential subscription rights 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)	571,700 euros[4]	14 months[1]	-	-
Increase of share capital in benefit of industrial or commercial companies in the pharmaceutical/biotechnology sector or for collective savings fund managers under French or foreign law investing in the pharmaceutical/biotech sector, likely to invest in a private placement in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-138, L. 228-91 et seq. of the French Commercial Code.	571,700 euros[4]	14 months[1]	312,500 euros[6]	The issuance price will be at least equal to the volume-weighted average of the closing prices of the share during the last five stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of

				15%
Issuance of ordinary Company shares and securities giving access to the share capital of the Company, as compensation 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.	10% of the Company share capital(4)	14 months(1)	-	-
Issuance of ordinary shares and securities giving access to the share capital of the Company, 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.	571,700 euros(4)	14 months(1)	-	-
Issuance of autonomous equity warrants reserved for any natural person or legal entity that is a member of the Supervisory Board or a consultant of the Company 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.	7,500 euros(4)	18 months(5)	7,500 euros(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
Issuance of ordinary shares and/or securities giving access to the share capital of the Company for the benefit of the members of a company savings plan.	571,700euros (4)	14 months(1)	-	-

(1) Dating from the General Meeting held on March 27, 2014, i.e. until May 27, 2015.
(2) The issuance price corresponds to the volume-weighted average of the closing prices of the share during the last twenty stock market trading days preceding the date on which the issuance price is set on the date of signature of the License agreement on anti-NKG2A between Novo Nordisk A/S and the Company on February 5, 2014.
(3) Use by the Executive Board of March 27, 2014, following the vote by the General Shareholders Meeting held the same day.
(4) This amount is to be counted within the overall cap of 664,200_euros stipulated by the 25th resolution of the General Meeting held on March 27, 2014. 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.
(5) Dating from the General Meeting held on March 27, 2014, i.e. until September 27, 2015.
(6) Use by the Executive Board of June 18, 2014.

VI.- Remuneration and other information concerning executive directors

1. Remuneration of the members of the Executive Board

Principles for determining the remuneration granted to executive directors

The Supervisory Board refers to the AFEP/MEFED code (French corporate governance code for publicly traded companies) for determining the remuneration and benefits granted to executive directors.

The remuneration of the members of the Executive Board and of the other members of the Executive Committee is determined annually by the Supervisory Board on the recommendation of the Compensation and Nomination Committee. It includes a fixed remuneration and a variable part.

The fixed remuneration represents the executive director's responsibility and his/her level of experience and skills, and is used as a basis for determining the annual variable remuneration of the members of the Executive Board bound to the Company by an employment contract.

The variable part is related to the performance of the salaried members of the Executive Board and aims to encourage achievement of the Company's goals. This variable part can reach 40% of the total remuneration if all the preset targets are achieved, and is made up of individual and collective bonuses (the latter being paid to all of the Company's employees corresponding to a percentage of one month's salary defined according to the achievement of the collective goals).

The collective goals are defined at the beginning of each year by the Compensation and Nomination Committee for the whole Company, and are weighted for each member of the Executive Board according to his/her function. For its recommendation to the Supervisory Board, the Compensation and Nomination Committee assesses the extent to which the goals have been successfully achieved according to the defined criteria and individual performance appraised qualitatively.

In 2014, 50% of the collective goals were related to the progress and the success of the Company's programs, and 50% were "corporate" goals such as the level of liquid assets at the end of the fiscal year.

The salaried members of the Executive Board also have an "Article 83" pension contract with France Vie, at a contribution rate of 2% of annual salary, of which 1.20% is paid by the Company.

The Company also subscribes to a specific unemployment benefits agreement for executive directors (GSC) for Mr. Hervé Brailly. The purpose of this agreement is to guarantee the payment of compensation in case of unemployment (up to 70% of the last professional income as declared to the tax authorities) for company executives and officers who are not eligible for the French POLE EMPLOI unemployment benefit. This agreement was set up with effect from April 1, 2006 under the authorization of the Supervisory Board given on September 23, 2005.

Ms. Catherine Moukheibir, member of the Executive Board, is bound to the Company by a consultancy contract, which provides for flexible variation of the volume of her work, according to the needs of the Company. This ad hoc contract thus enables the Company to have a high-level consultant available for a workload and a price that fit in with its requirements. In 2014, due to the acquisition of a Phase II program and to fund raising, this workload increased compared to 2013. Ms. Moukheibir is not eligible for variable remuneration (bonuses).

The instruments for equity investment are described in paragraph 3 of this chapter.

Remunerations for the 2014 fiscal year

The following table summarizes the remunerations of the members of the Executive Board paid during the fiscal year ending December 31, 2014:

	Compensation allocated to each member of the Executive Board			
	2014		**2013**	
	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	230,020	230,020	200,040	200,040
Variable compensation	122,241	103,125	105,123	71,003
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Other compensation items[(2)]	12,031	12,031	11,502	11,502
Total	**364,292**	**345,176**	**316,665**	**282,545**
Nicolai Wagtmann, Member of the Executive Board				
Fixed compensation	161,928	161,928	-	-
Variable compensation	46,185	6,747	-	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Other compensation items[(2)]	6,752	6,752	-	-
Total	**214,865**	**175,427**	**-**	**-**
François Romagné, Member of the Executive Board				
Fixed compensation	-	-	160,008	160,008
Variable compensation	-	-	53,950	39,801
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Other compensation items[(2)]	-	-	3,715	3,715
Total	**-**	**-**	**217,673**	**203,524**
Catherine Moukheibir, Member of the Executive Board				
Fixed compensation	265,500	246,000	244,500	267,500
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Other compensation items[(2)]	-	-	-	-
Total	**265,500**	**246,000**	**244,500**	**267,500**

[(1)] Reported compensations relate to compensation paid to Members of the Executive Board under employment contracts and consulting agreement. The members of the Executive Board do not receive any remuneration for their terms.
[(2)] Company car and pension benefits. Pension benefits to the Executive Board members are described in the Section 19 of the Reference Document and in Note 2.l in the appendix to the 2014 Consolidated Accounts.

Mr. François Romagné left the Executive Board on December 31, 2013 and Mr. Nicolai Wagtmann joined it on January 1st, 2014. During the 2013 fiscal year, in contemplation of his

appointment as a member of the Executive Board, Mr. Wagtmann acted for the Company as a consultant. In this respect, he received a remuneration of 75,750 euros.

The amount paid by Innate Pharma for the "Article 83" pension contract for the 2014 fiscal year amounted to 2,745 euros for Mr. Hervé Brailly, and to 1,392 euros for Mr. Nicolai Wagtmann.

The amount paid by Innate Pharma to Mr. Hervé Brailly for the GSC for the 2013 fiscal year amounted to 7,306 euros.

2. Remuneration of the members of the Supervisory Board.

Principles of the attendance fees distribution

The Annual General Meeting of March 27, 2014 voted a global amount of attendance fees of 200,000 euros. This amount is distributed between the members of the Supervisory Board according to a calculation which is function of their rate of attendance to meetings and of their responsibility in committees.

Distribution for the 2014 fiscal year

Company paid attendance fees and other remunerations to the members of the Supervisory Board in 2014 that amounted 182,500 euros. The following table summarizes those payments:

Table 3	**Compensation allocated to each member of the Supervisory Board**	
	Paid in 2015 for 2014	**Paid in 2014 for 2014**
Gilles Brisson, Chairman, independent member		
Attendance fees	47,500	41,250
Other compensation	None	None
Irina Staatz-Granzer, independent member of the Supervisory Board		
Attendance fees	28,500	26,000
Other compensation	None	None
Philippe Pouletty, independent member of the Supervisory Board.		
Attendance fees	40,500	27,000
Other compensation	None	None
Patrick Langlois, member of the Supervisory Board		
Attendance fees	43,500	40,000
Other compensation	None	None
Michael Caligiuri, member of the Supervisory Board		
Attendance fees	22,500	12,750
Other compensation	None	None

3. Equity warrants (BSA), stock options, free shares and redeemable equity warrants (BSAAR) awarded to the members of the Executive Board and Supervisory Board

Principles for awarding instruments for equity investment

Part of the remuneration of the executive directors must include instruments for equity investment 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.

Subject to the favorable vote of the Annual General Meeting and the prior approval of the Supervisory Board before any distribution, this will now comprise:

- Annual or biennial distribution of redeemable equity warrants for the members of the Executive Board who are bound to the Company by an employment contract, according to their performance, in the context of an award to all the employees of the Company.
- Annual allocation of equity warrants for members of the Executive Board who are not bound to the Company by an employment contract, according to their performance.
- Allocation of equity warrants to the new independent member(s) of the Supervisory Board and to the new member(s) of the Scientific Advisory Board.

The Supervisory Board, on the recommendation of the Compensation and Nomination Committee, reserves the right to authorize a special allocation of equity warrants and/or redeemable equity warrants in the event of specific events.

Distribution of instruments for equity investment for the 2014 fiscal year

During the 2014 fiscal year, no instrument for equity investment was allocated to the salaried executive directors of the Company. Equity warrants were allocated to the only non-salaried member of the Executive Board.

The following table summarizes the share equivalents of the equity instruments owned by the members of the Executive Board and Supervisory Board as at December 31, 2014:

	Equity warrant	Stock options	Redeemable equity warrant	Total
Members of the Executive Board				
Hervé Brailly	-	60,000	215,000	275,000
François Romagné	-	40,000	112,000	152,000
Catherine Moukheibir	175,000	-	-	175,000
Nicolai Wagtmann(1)	50,000			50,000
Members of the Supervisory Board				
Gilles Brisson	25,000	-	-	25,000
Philippe Pouletty	47,500	-	-	47,500
Irina Staatz-Granzer	25,000	-	-	25,000
Patrick Langlois	-	-	-	-
Novo Nordisk A/S	-	-	-	-
Michael Caligiuri	25,000			25,000
Total	347,500	100,000	327,000	774,500

(1) Mr. Nicolai Wagtmann signed a consultancy agreement on September 16, 2013 and was appointed as a member of the Executive Board as of January 1, 2014 in place of Mr. François Romagné.

No hedging instrument was set up concerning the stock options.

The total cost that appears in the consolidated accounts for these payments is 188,000 euros for the 2014 fiscal year (65,000 euros for the 2013 fiscal year).

No equity security, debt security or security giving access to the capital or any right to attribution of debt securities of a company of which the Company directly or indirectly owns more than half of the capital was granted during the 2014 fiscal year to the members of the Executive Board and the Supervisory Board.

The attributions of securities giving access to the capital to the members of the Executive Board and the Supervisory Board are detailed in the following table:

Members of the Executive Board	Date of the Executive Board	Number of equity warrants subscribed	Conditions of acquisition
Catherine Moukheibir	16/07/2014	75,000	None

The Company did not adjust the bases of conversion and the conditions of subscription during the fiscal year ending December 31, 2014.

4. Consultation of shareholders concerning the elements of the remuneration of the executive directors

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In accordance with the recommendations of the AFEP/MEDEF code (French corporate governance code for publicly traded companies) revised in June of 2013 (Article 24.3), with which Company complies in accordance with Article L.225-37 of the French Commercial Code, the following information on the elements of the remuneration due or paid for the 2014 fiscal year to each executive director of Company 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 ending December 31, 2014 that an opinion be given on the elements of the remuneration due or paid for the 2014 fiscal year to Mr. Hervé Brailly, chairman of the Executive Board and Mr. Nicolai Wagtmann and Ms. Catherine Moukheibir, members of the Executive Board:

Elements of the remuneration due or paid for the fiscal year ending December 31, 2014 to Mr. Hervé Brailly, chairman of the Executive Board, submitted for the opinion of the shareholders

Elements of remuneration	Amounts	Commentaries
Fixed remuneration	230,020	Gross remuneration of 230,020 euros for the 2014 fiscal year approved by the Supervisory Board on March 27, 2014 on the proposal of the Compensation and Nomination Committee. This remuneration corresponds only to the salary paid to Mr. Brailly under the terms of his employment contract.
Annual variable remuneration (maximum: 40% of the fixed remuneration)	122,241	On the recommendation of the Compensation and Nomination Committee on February 4, 2015, Mr. Brailly's variable remuneration is 122,241 euros. Taking into account the quantitative and qualitative criteria agreed by the Compensation and Nomination Committee on July 3, 2014 and the achievements noted on February 4, 2015, the variable part has been estimated as follows: - Based on quantitative criteria, 66,600 euros - Based on qualitative criteria, 55,641 euros Thus, the variable remuneration of Mr. Brailly for the 2014 fiscal year is 122,241 euros.
Deferred variable remuneration	N/A	Mr. Brailly does not receive any deferred variable remuneration.
Multi-year variable remuneration	N/A	Mr. Brailly does not receive any multi-year variable remuneration.
Exceptional remuneration	N/A	Mr. Brailly does not receive any exceptional remuneration.
Stock options, performance shares or any other long-term remuneration element		There was no attribution of stock options or performance shares during the 2014 fiscal year. For information, Mr. Brailly owns the following as at December 31, 2014: - 60,000 stock options allocated by the Executive Board on June 13, 2005

		- 215,000 redeemable equity warrants, allocated by the Executive Board on June 18, 2010 and on September 9, 2011
Attendance fees	N/A	Like all members of the Executive Board, Mr. Brailly does not receive attendance fees.
Value of all types of benefits	9,286	Mr. Brailly receives a management vehicle.
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.
Supplementary pension plan (element taken into account in order to determine the total remuneration)	2,745	Mr. Brailly has an "Article 83" pension contract with France Vie, at a contribution rate of 2% of his gross salary, of which 1.20% is paid by the Company.

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Elements of the remuneration due or paid for the fiscal year ending December 31, 2014 to Ms. Catherine Moukheibir, member of the Executive Board, submitted for the opinion of the shareholders

Elements of remuneration	Amounts	Commentaries
Fixed remuneration	265,500	The continuation of the contract including the remuneration awarded to Ms. Moukheibir was approved by the Supervisory Board on March 27, 2014. This remuneration corresponds only to the fees paid to Ms. Moukheibir under the terms of her consultancy agreement.
Annual variable remuneration	N/A	Ms. Moukheibir does not receive any annual variable remuneration.
Multi-year variable remuneration	N/A	Ms. Moukheibir does not receive any multi-year variable remuneration.
Exceptional remuneration	N/A	Ms. Moukheibir does not receive any exceptional remuneration.
Stock options, performance shares or any other long-term remuneration element	N/A	There was no attribution of stock options or performance shares during the 2014 fiscal year. For information, Ms. Moukheibir owns the following as at December 31, 2014: 100,000 equity warrants allocated by the Executive Board on July 29, 2011, 75,000 equity warrants allocated by the Executive Board on July 17, 2013, and 75,000 equity warrants allocated by the Executive Board on July 16, 2014.
Attendance fees	N/A	Like all members of the Executive Board, Ms. Moukheibir does not receive attendance fees.
Value of all types of benefits	N/A	Ms. Moukheibir does not receive a management vehicle.
Severance pay	N/A	Ms. Moukheibir does not receive any severance pay.
Non-competition indemnity	N/A	Ms. Moukheibir does not receive any non-competition indemnity.
Supplementary pension plan	N/A	Ms. Moukheibir does not receive any supplementary pension plan.

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Elements of the remuneration due or paid for the fiscal year ending December 31, 2014 to Mr. Nicolai Wagtmann, member of the Executive Board, submitted for the opinion of the shareholders

Elements of remuneration	Amounts	Commentaries
Fixed remuneration	161,928	Gross remuneration of 161,928 for the 2014 fiscal year approved by the Supervisory Board on March 27, 2014 on the proposal of the Compensation and Nomination Committee. This remuneration corresponds only to the salary paid to Mr. Wagtmann under the terms of his employment contract.
Annual variable remuneration (maximum: 27.5% of fixed remuneration)	46,185	On the recommendation of the Compensation and Nomination Committee on February 4, 2015 the annual variable remuneration of Mr. Wagtmann is 46,185 euros.
Multi-year variable remuneration	N/A	Mr. Wagtmann does not receive any multi-year variable remuneration.
Exceptional remuneration	N/A	Mr. Wagtmann does not receive any exceptional remuneration.
Stock options, performance shares or any other long-term remuneration element	N/A	There was no attribution of stock options or performance shares for the 2014 fiscal year. For information, Mr. Wagtmann owns the following as at December 31, 2014: 50,000 equity warrants allocated by the Executive Board on September 18, 2013.
Attendance fees	N/A	Like all members of the Executive Board, Mr. Wagtmann does not receive attendance fees.
Value of all types of benefits	5,360	Mr. Wagtmann receives a management vehicle.
Severance pay	N/A	Mr. Wagtmann does not receive any severance pay..
Non-competition indemnity	N/A	Mr. Wagtmann does not receive any non-competition indemnity.
Supplementary pension plan	1,392	Mr. Wagtmann does not receive any supplementary pension plan.

5. List of positions held by the executive directors and their terms

The following table lists the other positions held by the members of the Executive Board for the fiscal year ending December 31, 2014 and for the last five years:

Director	**Positions**
Mr. Hervé Brailly	Member of the supervisory board of Inserm Transfert (resigned in 2014); Member of the board of France Biotech (2006-2008); Chairman of BioMediterranée (2006-2008); Member of the executive committee and treasurer of EuroBioMed; Member of the development council of the Marseille Provence Metropole; Elected member of the Chamber of Commerce of Marseille (2007-2012); Member of the Strategy and Prospects Committee of Aix Marseille University; Member of the Investment Committee of SATT Sud Est. Member of the Board of Innate Pharma, Inc.; Member of the Board of Directors of Innate Pharma Inc.
Mr. Nicolai Wagtmann	-
Ms. Catherine Moukheibir	Positions currently held in listed companies: Member of Supervisory Board and Audit Committee of Ablynx (from June 2013). Member of the Supervisory Board and Chairman of the Audit Committee of Octoplus (2012-2013). Positions in unlisted companies: Partner in the consultancy firm STJ Advisors (2011-2013); Member of the Supervisory Board of Creabilis (from December 2012); Board observer at Zealand Pharma A/S.

The following table lists the other positions held by the members of the Supervisory Board for the fiscal year ending December 31, 2014 and for the last five years:

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First and last names, age and professional address	Term	Position	Other Positions and Appointments held in any other company over the last five years
Mr. Gilles Brisson **French** **age 63** **Innate Pharma** **117, Avenue de Luminy** **13009 Marseille**	First Appointment: General Meeting on June 26, 2007 Renewed by the Ordinary General Meetings on June 23, 2009, June 29, 2011 and June 28, 2013 Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Chairman of the Supervisory Board	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).
Mr. Patrick Langlois[(1)], French age 69 PJL Conseils 6, Avenue Frederic Le Play 75007 Paris	First Appointment: General Meeting on May 25, 2010 Renewed by the Ordinary General Meetings on June 29, 2011 and June 28, 2013 Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Member of the Supervisory Board	<u>Positions in listed companies</u>: Diaxonhit (formerly Exonhit) (France): Director and member of the Audit Committee (not renewed in 2014); Stallergènes (FR): Chairman of the Board of Directors; BioAlliance Pharma (FR) renamed ONXEO SA in 2014: Chairman of the Board of Directors; <u>Positions in unlisted companies</u>: Scynexis (US): Director and member of the Audit Committee; Newron (Italy): Director and chairman of the Audit Committee; Shire (UK): Director, member of the Audit Committee and the Compensation Committee (not renewed in 2011); Nanobiotix (France): Chairman (not renewed in 2011)

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 and June 28, 2013. Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Member of the Supervisory Board	Chairman of the Board of Directors of Abivax S.A., Chairman of the Board of Directors of Deinove (listed company), Non-Executive Chairman of BMD SA (up to May 29, 2012), Director of the Association of the Marie Lannelongue Surgical Centre, Director representing Truffle Capital SAS on the boards of Vexim SA, Theraclion SA, Plasmaprime SAS, Carmat SA , Pharnext SAS, Biokinesis SAS, Carbios SA, Theradiag, Immune Targeting Systems Ltd (UK), Symetis (Switzerland), Myopowers (Switzerland), Diaccurate (France), Kephalios (France), and Deinobiotics (France); Member of the board of directors and managing director of Truffle Capital SAS, General Manager of Nakostech SARL, Honorary President and Director of France Biotech (Association), positions not renewed at Neovacs SA (2014), Splicos SAS (2013), Wittycell SAS (in 2013), Conjuchem, Cytomics and ITS
Ms. Irina Staatz-Granzer German age 54 Zielstattstrasse 44, D-81379, Munich, Germany	First Appointment: General Meeting on June 23, 2009. Renewed by the Ordinary General Meetings on June 29, 2011 and June 28, 2013 Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Member and Vice Chairman of the Supervisory Board	Staatz Business Development & Strategy, founder Blink Therapeutics Ltd: Chairman (2014); Blink Biomedicals SAS: Chairman (2015) PLCD (German Pharma Licensing Club): Vice President U3 Pharma AG: CEO

Novo Nordisk A/S(1), represented by Mr. Karsten Munk Knudsen (2) Danish age 43 Novo Allé 2880 Bagsværd Denmark	First Appointment: General Meeting on June 26, 2007 Renewed by the Ordinary General Meetings on June 23, 2009, June 29, 2011 and June 28, 2013 Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Member of the Supervisory Board	Other positions held by Mr. Knudsen: none
Michael A. Caligiuri American Age 59 OSU James Cancer Hospital, 300W. 10th Avenue, Suite 519, Columbus, OH43210	First Appointment: General Meeting on June 28, 2013 Term expires: 2015 Ordinary General Meeting to be held to vote on the accounts for the fiscal year ending Dec. 31, 2014	Member of the Supervisory Board	Member of the Board of Directors of the American Association of Cancer Research (AACR); Member of the Executive Committee of the American Society of Hematology; Member of the Management Committee of Pelotonia; President of the Society for Natural Immunity

(1) Non-independent member of the Supervisory Board.
(2) Mr. Karsten Munk Knudsen was appointed permanent representative of Novo Nordisk A/S on December 18, 2014, replacing Mr. Per Falk.

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 voting rights more than 10% of a *Societe Anonyme* and on the other hand, another Company whose SA owns, directly or indirectly, more than half of the capital.

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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. Following changes in the regulatory framework and discussions with various stakeholders, in particular its investors, the Company began formalizing its corporate social responsibility (CSR) process in 2012.

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, Financials section/Documentation center).

It should be noted that the information in the following paragraphs of Section VII only concern Innate Pharma SA, not its subsidiaries[3].

1. Employment and Social Responsibility

Commitments and objectives

Innate Pharma is a company which specializes in drug research and development in the pharmaceutical field. 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 talents as a major strategic priority.

a. Employment

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

Definitions:

The headcount (defined according to the French Labor Code) comprises those individuals present as of 31 December, excluding temporary employees on fixed-term replacement contracts, trainees and apprentices. The turnover rate is calculated based on those with permanent contracts only (i.e. 94% of the workforce)

[3] The CSR reporting applies to Innate Pharma SA, which has interests in two companies:

- Platine Pharma Services, in which it has a 9.87% interest (capital and voting rights), located in Lyon, housing services which were outsourced from the Company in 2009 – Platine Pharma Services can operate as an Innate Pharma supplier.
- 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.

These two subsidiaries are not included in the scope of this procedure as one is dormant and the Company does not have a majority interest in the other.

	2012	2013	2014
Total workforce and distribution of employees by gender and age			
Headcount	82	84	99
Distribution by gender (%)	37/63	37/63	34/66
Average age (years)	37	38	37
Staff aged 45 years or more (employees, %)	21	23	21
Turnover			
Net new hires	2	2	15
Rate of employee departure (%)	None	2.41	3.28
Remuneration and changes to remuneration			
Average remuneration (average annual gross remuneration, including bonuses, including Executive Committee, in euros)	51,753	54,625	57,804
Percentage annual collective increase	2.5%	2.5%	2.0%

- Total workforce and distribution of employees by gender and age

The Innate Pharma SA workforce grew significantly (+18%) in 2014. This was mainly because the R&D teams were consolidated to support the IPH2201 clinical program licensed from Novo Nordisk A/S in February 2014. The support teams were also strengthened to take on the cross-disciplinary activities associated with the increased activity.

The management team welcomed two new members: Nicolaï Wagtmann joined Innate Pharma as Chief Scientific Officer (CSO) and member of the Executive Board, replacing François Romagné, who had been the Company's CSO from the inception. François Romagné, a co-founder of the Company and member of the Executive Board, left the company at the beginning of the year to lead a collaborative platform of which Innate Pharma is a founding member (MI-mAbs). Pierre Dodion joined the team as Chief Medical Officer (CMO). This position has been brought in-house, thus replacing Marcel Rozencweig who had been in place since 2009. Marcel Rozencweig remains a member of the Company's Executive Committee in his capacity as President of the Innate Pharma SA subsidiary, Innate Pharma Inc., established in Delaware.

All the Company staff is based on a single site in Luminy, Marseille.

The gender distribution and the average age of staff are both stable.

The percentage of staff aged 45 years or more, which is stable, meets the objectives of the company's Seniors plan (between 20 and 25% of all staff, see the "Equal Treatment" section). In

addition, several "senior" people work for Innate Pharma as consultants and are not therefore counted in the headcount.

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. Staff may 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 the management. They enable employees to expand their areas of activity and to develop new skills. In 2014, two R&D teams (*in vivo* pharmacology and *in vitro* pharmacology) were set up to enable better hands-on management following a significant increase in staff numbers in these teams. Four team manager positions were filled internally, enabling employees to take on managerial roles. These changes were supported by management training.
- 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.

The staff boasts a high level of qualification: managers account for 65% of the workforce. The workforce includes 30 employees with PhDs in science, medicine or pharmacy, i.e. 30% of the total number of employees. In 2014, one employee obtained a master's degree through qualification-based training.

On December 31, 2014, 74% of the workforce, excluding the Executive Committee, was devoted to research and development activities.

o Staff turnover

In terms of new hires, the net job creation in 2014 was fifteen. Other employees joined the Company with contracts that are not counted in the headcount (work-training contracts and fixed-term replacement contracts).

Seven positions were created in the laboratories (permanent contracts or fixed-term contracts renewed as permanent contracts) and the fixed-term contracts of two people working for the company since 2013 were made permanent. Two laboratory technicians are on fixed-term contracts to cover a temporary period of increased activity until the end of December.

Two positions were created in the development teams (Pharmaceutical Operations and Regulatory Affairs) and one employee was hired at the end of his final year internship, with a fixed-term contract to cover a temporary period of increased activity.

One assistant's position was created and five people joined the support teams on a temporary basis (three hired with fixed-term contracts and two with work-training contracts).

One position was created on the Executive Committee (Chief Medical Officer, a position that was previously outsourced) and one member of the Executive Committee was replaced (Chief Scientific Officer).

Three employees on permanent contracts left the company during the year (two resigned for personal reasons and one was dismissed).

Employees on maternity leave were systematically replaced by employees on fixed-term contracts. Innate Pharma did not use any interim contract.

Seven of the employees hired in 2014 were young graduates when they joined the Company. Three interns were hired (on fixed-term contracts) at the end of their internships. The company welcomed two new young people with work-training contracts (one on an apprenticeship and the other on a vocational training scheme). Three employees are currently on work-training contracts. All those on an internship lasting one month or more will be paid an allowance and can be given meal vouchers on request. Interns who work in the company for three months or more also receive the Works Committee benefits. For all interns who are hired at the end of the internship, their internship period is taken into account when calculating seniority.

- Remuneration, pay raises and incentive

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 2014, there was an initial payment of 50% in December 2014. An additional payment may be made, based on the decision of the Remuneration and Appointments Committee, which is due to meet during the first quarter of 2015. For information, the collective bonus was 120% for 2013, as the Remuneration Committee wanted to acknowledge the exceptional collective performance which gave the Company new financial impetus, paving the way for a new phase in its development

Executive Management employees also receive an individual bonus linked to the achievement of specific objectives.

In 2014, 53% of staff received individual salary incentives (in addition to the collective 2% pay increase in January 2014).

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. Work Organization

Note:

The absenteeism rate is calculated according to the total number of working days' absence during the financial year for employees included in the workforce count during this period. It does not take maternity, paternity or parental leave into account.

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 force. 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 2014 under the working time reduction agreement provides for 1,600 hours a year for full-time employees. These provisions apply *pro rata* 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:

	2012	2013	2014
Organization of working time			
Percentage of part-time employees	16%	14%	14%
Absenteeism			
Absenteeism rate	2.27 %	2.17%	2.73%

The percentage of part-time staff remains stable. One new employee became part-time in the context of parental leave. Part-time hours were chosen by the employees to fulfil a family responsibility. Two employees are also working part-time for health reasons.

Overtime is exceptional within the Company: 86 hours of overtime were completed within the Company (as against 203 hours in 2013). The increase in the size of the teams since 2013 and the fact that employees are encouraged to take compensatory days off contributed to the reduced amount of overtime.

The absenteeism rate is slightly higher. Absences are mainly days off work due to sickness (63%) and days off for sick children. Two employees worked half-time for health reasons for more than half the year. Their half-time absence accounted for almost one third of the

absenteeism rate. Two other employees were absent for several months. None of the absences was associated with a workplace accident or an occupational illness.

c. Employee Relations

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

The current members of the *Délégation Unique du Personnel* (Works Committee and staff representatives) were elected in January 2015. Three unions are represented. The number of places increased from 6 to 10, due to the increase in the workforce and to better reflect the distribution between the different groups (managerial/non-managerial).

The members of the Health, Safety and working conditions Committee were appointed in the first quarter of 2013 for a 2-year term. New representatives will be appointed in 2015.

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 (Labour Inspectorate, Occupational Medicine, etc.).

The Mandatory Annual Negotiations were finalized on January 20, 2015.

The conclusions of the negotiations are as follows:

1- Salaries and Working Time

No new agreement on these topics was negotiated in 2014.

With regard to salaries and the salary policy, a collective salary increase was applied, after discussion with the Works Committee.

With regard to working time, the Company agreements monitoring committee met on June 2, 2014 and concluded that the agreements in place were operating well.

2- Professional Gender Equality

A company agreement on the implementation of the obligations of companies concerning workplace gender equality was signed on July 3, 2012.

3- Benefit Schemes (Health & Welfare)

An additional clause was added to the “Healthcare costs” company agreement on August 28, 2014. It incorporates the various changes to the regulations, better health coverage, and

specifies exemptions from membership. The contract was renewed with the current service provider.

A Company agreement on welfare was signed on December 15, 2014. It stipulates uniform conditions for managerial and non-managerial staff and incorporates the new legal conditions on benefits applicable since 2014. A new contract was signed with the "Healthcare costs" service provider for all benefits and all staff.

4- Profit-Sharing, Share Ownership Scheme and Payroll Savings Scheme

The negotiation of a profit-sharing agreement coupled with methods for payroll savings was started in 2013. The negotiations resulted in:

- Termination of the agreement in force on the Company Savings Plan
- Finalizing of a new agreement on the Company Savings Plan
- Finalizing of an additional clause to be added to the Company Savings Plan concerning an employer contribution in the form of free shares. This scheme is due to be rolled out in 2015 (see Section V of this report)

5- Disabled Workers

The Disabled Action Plan was renewed for 2014. Adapted hours and the opportunity to take time off were given to staff having children with disabilities who have requested this.

6- Senior Staff

The Seniors Action Plan was not renewed as this is no longer an obligation for companies (scheme replaced by the "Generation Contract").

7- Risk Prevention

It is not necessary to establish an agreement on unhealthy or stressful working conditions given that the number of employees exposed to such factors is less than 50% of the workforce.

Negotiation of an agreement on the use of mediation is planned for the next Mandatory Annual Negotiation.

8- Miscellaneous

In addition to these negotiations, the Works Committee decided to broaden the coverage of the Article 83 contract in place for the supplementary pension scheme for managers. From January 1, 2014 non-managerial staff members are covered by the contract, under the same terms as managers.

o Internal communication

The life of the company is based on extensive internal communication and participative management which encourages employees to be involved in defining objectives and in decisions concerning projects and the life of the company. This is illustrated by:

- Involvement of the teams in project review meetings ;
- Staff involvement in working groups (on a voluntary basis) ;
- Regular general information meetings:
  - Policy and Objectives meetings led by the Chairman of the Executive Board
  - Quarterly 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

Consultations in the form of surveys are organized to obtain employees' opinions on collective projects (collective action, new benefits, or upgraded computer equipment). During 2014, several staff surveys were carried out on life within the company, e.g. on the level of satisfaction with the complementary health insurance.

o Employee benefits and other advantages

The amounts paid in respect of welfare and cultural benefits by the Works Committee for the 2014 financial year increased by approximately 15%, due to the increase in the workforce. The amount was €38,000 (as against €33,000 in 2013). These amounts are above the legal requirements.

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. The Company has offered workers' money vouchers for purchasing services[4] since 2012, and in view of their success, increased the employer contribution and the total authorized quarterly amount.

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). This year, in view of the increase in the workforce, the discovery day was broadened into an induction seminar.

[4] These are called *Chèque Emploi Service Universel* (CESU)

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:

	2012	2013	2014
Health and safety conditions			
Number of planned preventative actions	32	34 (37 incl. 3 which were not necessary)	31 (33 incl. 2 which were not necessary)
Number of preventative actions implemented	26	25	24
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	81.25%	73.53%	77.42%
Number of Health and Safety (H&S) training actions planned	7 (10 incl. 3 which were not applicable)	10 (12 incl. 2 which were not necessary)	8 (9 incl. 1 which was not necessary)
Number of H&S training actions implemented	3.5	7	5
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	50.00%	70.00%	62.50%

Workplace accidents*, in particular their frequency and severity, and occupational illnesses

Number of workplace accidents with absence from work	0	0	0
Frequency rate* of workplace accidents with absence from work	0	0	0
Severity rate** of workplace accidents	0	0	0
Number of workplace accidents with no absence from work	1	2	5
Frequency rate* of workplace accidents with no absence from work	7.75	15.18	34.42
Number of incidents	6	2	4
Frequency rate* of incidents	46.47	15.18	27.54
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)

A summary of the agreements, related to health and safety, signed with the labor unions or staff representatives is given in the "Employee Relations" section. Staff safety and management of the working conditions are key factors for the company's sustainable 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 have the necessary accreditations and training to use the equipment and with regard to 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 risk prevention program was established and monitored during the year at the quarterly meetings of the Occupational Health & Safety Committee, the majority of which were attended by the occupational health physician. All meeting minutes are distributed to staff, the occupational health physician and the Labour Inspectorate.

In accordance with the French pension reform act of November 9, 2010, the annual re-assessment of the percentage of staff exposed to unhealthy or stressful factors was carried out: it remains below 50%. The Health and Safety team implemented the annual risk prevention program (77% completed). All partly completed actions or those actions not yet carried out will be carried forward to the 2015 annual risk prevention program.

The 2014 Health and Safety training plan was 63% completed.

Incidents and accidents which occurred during 2014 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. The accidents and incidents

recorded during 2014 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 have a private car park and access to a local bus service.

The staff have a pleasant workspace covering 3,000 m^2, two-thirds of which is devoted to R&D activities and one third to offices. All employees have a full workstation (desk, computer workstation) and natural lighting in their offices. The laboratory tools and computer equipment are all state-of-the-art.

An investment budget and a building & working conditions improvement budget are voted on each year.

In 2014, the Company refitted the offices to accommodate the new employees and to reorganize the space according to the newly created teams. The reconfiguration was carried out in-house in consultation with the users.

The work to improve office insulation, which started in 2013, was pursued in 2014.

The Company purchased several items of scientific equipment and some of the laboratories were refitted. Work was carried out on the building entrance. Additional fire and intrusion detectors were installed. The picnic area was enlarged, with the installation of additional all-in-one tables and chairs.

e. Training

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

	2012	2013	2014
Total number of hours of training			
Total number of hours of training (hours committed)	1,714	1,902	1,527
Average number of hours of training per employee per year	21.1	22.9	16.7

Percentage of senior staff 45 years and over who received training	71	63	52
Percentage of staff who received training	82	81	72

- Training policies implemented

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

Permanent training is centered around the following: communication in English, development of cross-disciplinary skills, training on new tools and regulatory monitoring. Each year, employees receive in-house training led by external or in-house trainers on topics of interest to all or some staff members, e.g. new equipment. Staff regularly attend specialist congresses and conferences, which contributes to the development of both individual and collective skills. These events are not included in the total amount of training.

Individual training actions to enable each person to develop their skills are defined during annual appraisals. The Company and staff representatives have also drawn up agreements to support employee-initiated training (PhD theses, qualification-based training, skills assessments, and validation of professional experience) divided between work and personal time. The individual right to training (DIF – a legal right in France) can be used in this context or for shorter training courses.

The average amount of training and the percentage of staff who received training fell in 2014. This is explained by a number of reasons:

- The significant increase in the workforce: priority was given to training new employees so that they could take up their positions, including training on the internal operation of the Company and on the various tools (not included in the overall amount of training) ;
- Some collective training was postponed to 2015 so that more employees could take part in the sessions, in particular new recruits
- There was no demand for qualification-based training in 2014

Two qualification-based training courses are currently under way. During 2014, 3.3% of the staff used all or part of their individual rights to training.

The percentage of staff 45 years or over who received training is above the objective in the Company's "Seniors" plan, which is set at 50%.

f. Equal Treatment

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

	2012	2013	2014
Measures to support gender equality			
Percentage of women in management	46%	46 %	50%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	2.44%	2.8 %	1.01%

- Measures taken to support equal treatment for men and women

Employees are making increasingly frequent use of government measures in place since 2012: 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 2014, the Company helped set up a company nursery at the Luminy site and reserved two places for 2015.

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.

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

The percentage of disabled workers employed has fallen due to the departure of one person with Disabled Worker status and the increase in the workforce.

Since 2012, the Disabled Action Plan was negotiated then renewed (see the "Employee Relations" section). Its stipulations include that recruitment must be open to disabled worker profiles; very few applications are received (problem of skill compatibility with the position). No staff members with 'disabled worker' status were recruited in 2014.

Two employees (one of whom was recruited in 2014) are parents of a disabled child. The Company allows them to work adapted hours and the opportunity to take time off according to their needs.

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

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

2. Environment

Preface

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

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
- General environmental policy

a. Sustainable Use of Resources

- Energy consumption annual electricity consumption

The only energy source used by Innate Pharma is electricity, apart from an oil-fuelled backup generator. The following table gives the change in Innate Pharma's annual electricity consumption since it moved into its new premises in January 2009:

	2012	2013	2014
Consumption in kWh	1,273,742	1,268,102	1,237,366

The decrease between 2013 and 2014 is mainly due to favorable climatic conditions and the work to insulate the premises.

For information, 1,237,366 kWh consumed in 2014 corresponds to 26 metric tons CO_2 equivalent (52 metric tons CO_2 equivalent in 2013).

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. In 2014, this work involved insulating the offices.

- 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 since the Company moved into its new premises:

	2012	2013	2014
Consumption in m^3	1,072	1,205	1,119

The decrease in water consumption is principally explained by a reduction in the use of cleaning equipment.

b. <u>Pollution and Waste Management:</u>

- 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:

	2012	2013	2014
Quantity in liters	90,860	94,110	102,820

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 (reduction of paper consumption, use of recycled paper, recycling of office consumables, sorting waste). In 2014, a recycling system for plastic laboratory consumables was set up, initiated by the employees.

c. General Environmental Policy

Although its environmental impact is considered to be low, the Company and its staff remain committed to sustainable development on a day-to-day basis, in particular with regard to waste management.

The Innate Pharma site is located near the new Calanques national park. The Company's buildings, purchased by Innate Pharma in 2008 and refurbished, are 3,000 m² on a 10,650 m² site (which includes a 100 space parking lot). The green spaces are maintained in accordance with the applicable regulations (in particular with regard to the fire risk).

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 in the scientific field on 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

the Comité Plan Campus d'Aix -Marseille Université – AMU (Aix-Marseille university campus plan committee). In 2014, Innate Pharma was involved in the preliminary studies for the project to share services, such as waste management or security services, on the Luminy site. The Company also led a project to set up an inter-company nursery, which is due to open in 2015. This is the result of work, which was started several years ago, to raise awareness and find partners. More generally, the Company raises important issues concerning the attractiveness of the area with institutional players and local and regional authorities. In 2014 this included 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 establishments in the area (schools and universities), the Company contributes to the education of young people and students (careers 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). Innate Pharma is a host laboratory for the Aix-Marseille University life sciences PhD program (Ecole Doctorale des Sciences de la Vie d'Aix-Marseille-Université). Two PhD theses were presented by Company employees in 2014.

- 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. 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. This new center is an industrial demonstrator funded by the French government's "Investing for the future" program (receiving an investment of 19 million euros). 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. In 2014, Marseille Immunopole was identified as one of the "New Industrial France" programs, with Innate Pharma being the industrial leader. Marseille-Immunopole was also identified as a "Metropolitan project" due to its impact on the development and influence of the future Aix-Marseille metropolitan area.

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). The main suppliers also include the financial bodies with which the Company has taken out leases, in particular for the acquisition of its head office, and laboratory equipment suppliers.

Given its size and the perceived social and environmental issues, the Company does not carry out CSR audits of its suppliers. It 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 23 suppliers, representing 50% of the payments made by the Company in 2014. 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).

The majority of the Company's purchases concern the provision of scientific or medical intellectual services, which limits the risk of entering into contracts with third parties which do not comply with the CSR criteria.

c. Fair Practices

- *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) ;

o Measures taken to support the health and safety of consumers

None of the Company's drug candidates is currently in the market or has marketing authorization. Those that are furthest advanced are being tested on humans in the context of clinical trials which 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.

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.

VIII. Shareholding structure

The table below shows the distribution of the Company's shares and voting rights on the date of this report, 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%
Company's own 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]Through the liquidity contract

The table below shows the distribution of the Company's shares and voting rights as of January 31, 2014, to the knowledge of the Company:

	Shares		**Voting rights**	
Shareholders	**Number**	***%***	**Number**	***%***

Company officers	5,639,829	12.33%	5 639 829	12,34%
Including members of the :				
- *Executive Board*	*1,018,960*	*2.23%*	*1,018,960*	*2.23%*
- *Supervisory Board*	*4,620,869*	*10.10%*	*4,620,869*	*10.11%*
- including Novo Nordisk A/S	*4,572,708*	*10.00%*	*4,572,708*	*10.01%*
Employees excluding Company officers[1]	444,860	0.97%	444,860	0.97%
Bpifrance Participations	4,845,814	10.60%	4,845,814	10.60%
Wellington Management Company, LLP	4,566,083	9.98%	4,566,083	9.99%
Fidelity Investments	2,763,091	6.04%	2,763,091	6.05%
OrbiMed	2,743,896	6.00%	2,743,896	6.00%
Company's own shares[2]	41,914	0.09%	0	0.00%
Other shareholders	24,690,405	53.98%	24,690,405	54.03%
Total	**45,735,892**	**100.00%**	**45,693,978**	**100.00%**

[1] Employees holding their shares in registered form
[2]Through the liquidity contract

Crossing of thresholds by FMR LLC acting for Fidelity Investments:

By a letter received on January 15, 2014, FMR LLC (245 Summer Street, Boston, MA 02210, United States) declared that on January 14, 2014 it had passed above the thresholds of 5% of the capital and voting rights of the company INNATE PHARMA and that it held, 2,763,091 INNATE PHARMA shares representing the same amount of voting rights, i.e. 6.04% of the capital and voting rights of that company.

This crossing of thresholds results from an acquisition of INNATE PHARMA shares on the market.

Crossing of thresholds by Wellington Management Company, LLP:

By a letter received on January 16, 2014, Wellington Management Company, LLP (280 Congress Street, Boston, MA 02210, United States), acting on behalf of clients for which it undertakes management duties, declared that on January 14, 2014 it had passed above the thresholds of 10% of the capital and voting rights of the company INNATE PHARMA and that it held, on behalf of said clients, 4,610,973 INNATE PHARMA shares representing the same amount of voting rights, i.e. 10.08% of the capital and voting rights of that company.

This crossing of thresholds results from an acquisition of INNATE PHARMA shares on the market.

By the same letter, the same declaration of intent was made:

"Wellington Management Company, LLP declares:

The acquisition of the shares in the company INNATE PHARMA by Wellington Management Company, LLP (280 Congress Street, Boston, MA 02210, United States), acting on behalf of clients for which it undertakes management duties, took place within the normal scope of its

work as a "discretionary investment manager" and was undertaken without any intention to implement a particular strategy with regard to the company INNATE PHARMA, or to exercise, in this regard, a specific influence on the management of the latter. Wellington Management Company, LLP is not acting in concert with a third party and does not intend to take control of the company INNATE PHARMA or to seek its own appointment or the appointment of one or more persons as a director or member of the Executive Board or of the Supervisory Board."

Crossing of thresholds by Wellington Management Company, LLP:

By a letter received on January 31, 2014, Wellington Management Company, LLP (280 Congress Street, Boston, MA 02210, United States), acting on behalf of clients for which it undertakes management duties, declared that on January 29, 2014 it had passed beneath the thresholds of 10% of the capital and voting rights of the company INNATE PHARMA and that it held, on behalf of said clients, 4,566,083 INNATE PHARMA shares representing the same amount of voting rights, i.e. 9.98% of the capital and voting rights of that company.

This crossing of thresholds results from a sale of INNATE PHARMA shares on the market.

Crossing of thresholds and declaration by Novo Nordisk A/S:

1. By a letter received on April 11, 2014, the company under Danish law Novo Nordisk A/S (Novo Allé, 2880 Bagsvaerd, Denmark) declared, for purposes of regularization, that on April 4, 2014 it had passed above the thresholds of 10% of the capital and the voting rights in the company INNATE PHARMA and that it held, on that date and on that day, 5,172,708 INNATE PHARMA shares representing the same amount of voting rights, i.e. 11.07% of the capital and voting rights of that company

This crossing of thresholds results from a capital increase by the company INNATE PHARMA.

2. The following declaration of intent was made in the same letter, supplemented by a letter received on April 14, 2014:

"The crossing of the thresholds of 10% of the capital and the voting rights in the company INNATE PHARMA by Novo Nordisk A/S is the result of the capital increase reserved to Novo Nordisk A/S approved by Innate Pharma's shareholders' at an extraordinary general meeting of Innate Pharma on March 27, 2014.

The subscription price for the 600,000 newly issued shares was paid in full by Novo Nordisk A/S in compensation for a due and payable debt on the Company as a result of the licensing agreement for anti-NKG2A.

Novo Nordisk A/S hereby states that:

- Novo Nordisk A/S is acting alone;

- Novo Nordisk A/S does not intend to increase its stake in the Company

- Novo Nordisk A/S does not intend to take control of INNATE PHARMA

- It does not intend to ask for the appointment of an additional member to the Supervisory board of the Company (Novo Nordisk A/S is already a member of the Supervisory board at the time of this declaration);

- It does not intend to ask for the appointment of one or more persons as members of the Executive board

- Novo Nordisk A/S has no particular strategy with regard to INNATE PHARMA and does not envisage making any of the transactions set out in Article 223-17 I, 6 of the general regulations of the French Financial Markets Authority (AMF)

- Novo Nordisk A/S is not a party to any agreement and does not hold any financial instrument referred to in 4° and 4° bis of Article L. 233-9 of the French Commercial Code relating to the Company's shares

- Novo Nordisk A/S has not entered into any temporary transfer agreement relating to the shares or the voting rights of INNATE PHARMA

Crossing of thresholds by BPI Groupe:

By a letter received on December 1, 2014, BPI Groupe, a public industrial and commercial institution, referred to hereinafter as "EPIC BPI-Groupe" (27-31 avenue du Général Leclerc - 94710 Maisons Alfort Cedex) declared that on November 26, 2014 it had passed beneath the thresholds of 10% of the capital and voting rights of the company INNATE PHARMA, through Bpifrance Participations SA, a company which it indirectly controls via BPI Groupe SA, and that it held indirectly 5,256,759 shares of INNATE PHARMA representing the same amount of voting rights, i.e. 9.92% of the capital and voting rights of that company, distributed as follows:

	Shares and voting rights	**% of capital and voting rights**
EPIC BPI-Groupe (directly)	0	0
EPIC BPI-Groupe (indirectly via Bpifrance Participations SA (formerly FSI))*	5,256,759	9.92%
Total (shares and voting rights held altogether)	**5,256,759**	**9.92%**

* Bpifrance Participations (formerly FSI) is wholly owned by BPI-Groupe SA

This crossing of thresholds results from a sale of INNATE PHARMA shares on the market.

Crossing of thresholds by Caisse des Dépôts et Consignations :

By a letter received on January 15, 2015, the Caisse des Dépôts et Consignations (CDC) (56 rue de Lille, 75007 Paris, France) declared that on January 13, 2015 it had passed beneath the thresholds of 10% of the capital and voting rights of the company INNATE PHARMA, indirectly

via Bpifrance Participations SA, a company which it indirectly controls via the company BPI Groupe SA[5] and the company CDC EVM which it indirectly controls, and that it held, 5,274,051 INNATE PHARMA shares representing the same amount of voting rights, i.e. 9.96% of the capital and voting rights of that company, that are distributed as follows:

	Shares and voting rights	**% of capital and voting rights**
Bpifrance Participations SA	4,893,431	9.24
CDC EVM	380,620	0.72
Total CDC	**5,274,051**	**9.96**

This crossing of thresholds results from a sale of INNATE PHARMA shares on the market.

IX.- Dividend paid during the last three fiscal years

None.

X.- The Company purchasing its own shares

In accordance with an authorization of the Ordinary and Extraordinary General Meeting of the Company's shareholders' on March 27, 2014, the Executive Board can 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. For this share purchase program, the maximum purchase price per share was set at 20 euros and the maximum amount of capital for carrying out this program cannot exceed 1 million euros. In addition, the Company cannot under any circumstances hold, either directly or indirectly, more than 10% of its share capital. The Executive Board was authorized to implement the share purchase program for a period of 18 months dating from the Ordinary and Extraordinary General Meeting of March 27, 2014.

As at December 31, 2014, the Company held 33,310 of its own shares (31,724 as at December 31, 2013) for a total amount of 266 thousand euros (157 thousand euros as at December 31, 2013). The balance of the liquidity contract at the same date was 233 thousands of euros (302 thousands of euros as at December 31, 2013). During the fiscal year 2014, 2,110,361 shares were bought et 2,108,775 were sold (for the fiscal year 2013, 3,102,117 shares were bought and 3,157,222 were sold). The average purchase cost was 7.8826 euros (2.8087 euros for 2013) and the average selling price was 7.856 euros (2.8075 euros for 2013). These own shares are deducted from the equity in the consolidated financial statements.

[5] Based on capital comprising 52,970,392 shares representing the same number of voting rights, in accordance with article 223-11, paragraph 2 of the general regulations.

XI.- Transactions carried out on the Company's shares by the directors

During fiscal year ending December 31, 2014, the Company's directors made the following declarations on transactions that had been carried out, as specified in article L621-18.2 of the French Monetary and Financial Code:

- February 12, 2014: Marcel Rozencweig, exercise-sale of equity warrant
- February 12 and 13, 2014: Jérôme Tiollier, exercise of stock options and transfer of shares
- February 12, 2014: Yannis Morel, exercise-sale of redeemable equity warrant
- February 19, 2014: Philippe Pouletty, purchase of shares
- February 20, 2014: Jérôme Tiollier, exercise of stock options
- April 4 and June 26, 2014: Novo Nordisk A/S, application for shares
- June 23, 2014: BpiFrance Participations, transfer of shares
- July 7, 2014: BpiFrance Participations, transfer of shares
- July 8, 2014: BpiFrance Participations, transfer of shares
- July 24, 2014: Patrick Langlois, purchase of shares
- October 6, 2014: Nicolai Wagtmann, purchase of shares
- August 27, 2014: BpiFrance Participations, transfer of shares
- September 1, 2014: BpiFrance Participations, transfer of shares
- September 2, 2014: BpiFrance Participations, transfer of shares
- November 24, 2014: BpiFrance Participations, transfer of shares
- November 25, 2014: BpiFrance Participations, transfer of shares
- November 6, 2014: BpiFrance Participations, transfer of shares
- November 27, 2014: BpiFrance Participations, transfer of shares

- December 1, 2014: BpiFrance Participations, transfer of shares

- December 2, 2014: BpiFrance Participations, transfer of shares

- December 9, 2014: BpiFrance Participations, transfer of shares

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, 2014 consist of 121,521 euros of directors' fees and 11,679 euros of excess depreciation on the passenger vehicles.

XI.- Overheads giving rise to tax adjustment in the taxable income

The Company has not incurred any excessive overheads or overheads which are 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, 2014.

XII.- Subsequent events

None

The Executive Board