

INNATE PHARMA

French *société anonyme* organised with a Supervisory Board and an Executive Board

Share capital of 2,880,351.55 Euros

Headquarters: 117 avenue de Luminy – 13009 Marseille

RCS Marseille 424 365 336

(the “**Company**”)

**REPORT OF THE EXECUTIVE BOARD
AT THE ANNUAL SHAREHOLDERS' MEETING
OF 29 MAY 2018**

(the “**Report**”)

Ladies and Gentlemen,

Dear Shareholders,

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

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

- J Approval of the financial statements for the 2017 financial year (Resolution n°1);
- J Approval of the consolidated financial statements for the 2017 financial year (Resolution n°2);
- J Allocation of earnings for the financial year (Resolution n°3);
- J Related-party transactions (Resolution n°4);
- J Renewal of Audit Conseil Expertise as Statutory Auditor (Resolution n°5);
- J Approval of the appointment of Jean-Yves Blay as member of the Supervisory Board (Resolution n°6);
- J Renewal of Olivier Martinez as observer of the Supervisory Board (Resolution n°7);
- J Determination of the attendance fees (*jetons de présence*) to be allocated to members of the Supervisory Board (Resolution n°8);
- J Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Executive Board for the 2018 financial year (Resolution n°9);
- J Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Executive Board members for the 2018 financial year (Resolution n°10);
- J Approval of the principles and criteria for determining, allocating and granting the fixed, variable and

extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Supervisory Board for the 2018 financial year (Resolution n°11);

J Approval of the principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Supervisory Board members for the 2018 financial year (Resolution n°12);

J Approval of the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to the Chairman of the Executive Board for the 2017 financial year (Resolution n°13);

J Approval of the principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to Yannis Morel as Executive Board member for the 2017 financial year (Resolution n°14);

J Approval of the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to the Chairman of the Supervisory Board for the 2017 financial year (Resolution n°15);

J Authorization for the Company's purchase of its own shares (Resolution n°16);

II. RESOLUTIONS TO BE SUBMITTED AT THE EXTRAORDINARY SHAREHOLDER'S MEETING

J Authorization granted to the Executive Board to allocate existing or new free shares for the benefit of employed members of the Executive Committee, employed senior executives and/or corporate officers of the Company or its subsidiaries as part of their variable annual compensation (Resolution n°17);

J Authorization granted to the Executive Board to allocate existing or new free shares for the benefit of employees of the Company or its subsidiaries (Resolution n°18);

J Authorization granted to the Executive Board to allocate existing or new free shares on the basis of performance criteria for the benefit of executive officers, employed members of the Executive Committee, employed senior executives and/or corporate officers of the Company or its subsidiaries (Resolution n°19);

J Authorization granted to the Executive Board to allocate existing or new free shares on the basis of performance criteria for the benefit of employees of the Company or its subsidiaries (Resolution n°20);

J Delegation of authority to the Executive Board for the purpose of issuing autonomous share subscription warrants reserved for Supervisory Board members (Resolution n°21);

J Delegation of authority to the Executive Board for the purpose of issuing ordinary Company shares and/or of securities giving access to the share capital of the Company, with shareholders' preferential subscription rights (Resolution n°22);

J Delegation of authority to the Executive Board for the purpose of issuing ordinary Company shares and/or of securities giving access to the share capital of the Company, without shareholders' preferential subscription rights (Resolution n°23);

- J Delegation of authority to the Executive Board for the purpose of issuing, without shareholders' preferential subscription rights, ordinary shares of the Company and/or securities giving access to the share capital of the Company, within the framework of an offering as described in paragraph II of Article L.411-2 of the French Monetary and Financial Code (Resolution n°24);
- J Determination of the issuance price, up to the limit of 10% of the share capital per annum, of the ordinary shares and/or of securities giving access to the share capital of the Company, in the event of the suppression of shareholders' preferential subscription rights (Resolution n°25);
- J Delegation of authority to the Executive Board for the purpose of issuing of ordinary Company shares and /or of securities giving access to the share capital of the Company, without shareholders' preferential subscription rights and reserved for certain categories of investors (Resolution n°26);
- J Authorization granted to the Executive Board to increase by 15% the number of securities to be issued in the event of a share capital increase with or without shareholders' preferential subscription rights (Resolution n°27);
- J Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company, as compensation for contributions in kind comprised of equity securities or securities giving access to the share capital (Resolution n°28);
- J Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company, in the event of a public exchange offer initiated by the Company (Resolution n°29);
- J Overall cap applicable to the resolutions n°22 to 24 and 26 to 29 above (Resolution n°30);
- J Delegation of authority to the Executive Board for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company for the benefit of the members of a company savings plan (Resolution n°31);
- J Delegation of power granted to the Executive Board for the purpose of cancelling all or part of the treasury shares of the Company, acquired pursuant to the authorization to repurchase shares (Resolution n°32);
- J Amendment to Article 12 of the Articles of Association in order to grant a double voting right attached to the ordinary shares (Resolution n°33);
- J Amendment to Article 25 of the Articles of Association in order to remove the obligation to appoint one or more alternate auditors (Resolution n°34); and
- J Powers for formalities (Resolution n°35).

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

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

1. Approval of the financial statements and allocation of earnings for the financial year ended 31 December 2017 (Resolutions n°1, 2 and 3)

(a) Financial statements for the financial year ended 31 December 2017

The inventory and financial statements submitted for your approval, under resolution n°1, namely the balance sheet, income statement, statement of cash flows and statement of changes in equity and the annex as at 31 December 2017, have been prepared in accordance with the presentation rules and evaluation methods set forth by the regulations in force in France.

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

The financial statements highlight a net loss of 38,760,687 Euros for the financial year ended on 31 December 2017, against a net profit of 13,071,005 Euros for the financial year ended on 31 December 2016.

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

(b) Amount of non-deductible expenses

In accordance with Articles 223 *quarter* and 223 *quinquies* of the French General Tax Code, it is required that you acknowledge, by adopting resolution n°1, that (i) the Company has incurred non-deductible tax expenses referred to under Article 39-4 of this Code, during the past financial year, comprised of 124,774 Euros in attendance fees (*jetons de présence*) paid to the members of the Supervisory Board and 18,463 Euros in excess amortisations on the touring cars, and (ii) the Company has not incurred general expenses referred to under Article 39-5 of the French General Tax Code.

(c) Consolidated financial statements for the financial year ended 31 December 2017

The consolidated financial statements submitted for your approval, under resolution n°2, namely the balance sheet, income statement, statement of cash flows and statement of changes in equity and the annex as at 31 December 2017, have been prepared in accordance with the IFRS standards.

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

The consolidated financial statements show a net loss of 48,385 thousand Euros for the financial year ended 31 December 2017, against a net profit of 12,640 thousand Euros for the financial year ended 31 December 2016.

For comments on these consolidated financial statements, please refer to the management report of the Executive Board and observations made by the Supervisory Board on this management report which have been made available to you in accordance with the regulations in force as well as Chapter 3 of the 2017 reference document of the Company, filed with the *Autorité des Marchés Financiers* on 25 April 2018 under the reference D.18-0383 (the "Reference Document").

(d) Proposition as regards the allocation of earnings

The outcome of the financial year shows, as per the financial statements, a net loss of 38,760,687 Euros, which we propose you allocate to "Retained Earnings" under resolution n°3. After allocation of this result, the "Retained Earnings" account will represent a loss of 136,707,317 Euros.

There will be no declaration of dividends under the financial year ended 31 December 2017.

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

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

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

The list of agreements and undertakings referred to under Article L.225-86 of the said Code that have been entered into during the financial year ended 2017 are attached to the present Report ([Annex 1](#)).

3. Renewal of the mandate of the Statutory Auditor (Resolution n°5)

The mission of Audit Conseil Expertise, SA – member of PKF International, expiring, we propose, under resolution n°5, that you renew its mission for a period of six financial years, expiring at the end of the Ordinary Shareholders' Meeting to be convened in 2024 to decide on the accounts for the financial year ending 31 December 2023.

4. Membership and compensation of the Supervisory Board (Resolution n° 6 to 8)

(a) Appointment of a member of the Supervisory Board

You are asked, pursuant to resolution n°6, to ratify the temporary appointment made by the Supervisory Board, as a member of the Supervisory Board of Jean-Yves Blay (to replace Jean-Charles Soria) for a one-year period to expire at the end of the Ordinary Shareholders' Meeting to be convened in 2019 to decide on the accounts for the financial year ending 31 December 2018.

Jean-Yves Blay has been singled out for his significant experience and expertise in the health sector, and more specifically in the pharmaceutical and biotechnology industry:

Jean-Yves Blay, aged 56, PhD, oncologist, is the *Directeur Général* of the Léon Bérard Center in Lyon since 2014 and currently holds various positions within universities and hospitals. Member of several scientific academic expert groups, among which the expert groups of the European Commission on rare diseases and on health, he had been awarded many prizes and is the author of more than 200 publications in the last three years. He had also been the Chairman of the EORTC (European Organisation for Research and Treatment of Cancer) from 2009 until 2012, coordinator of the Sacrome Group for ESMO (European Society for Medical Oncology) from 2012 until 2016 and served as a Secretary of the *Commission Oncologie de l'Académie Française de Médecine* in 2016 and 2017. Professor Blay holds a PhD from the University Claude Bernard Lyon 1. His research activities are focused on the role of the effector cells and of cytokine within cancer.

(b) Renewal of the censor

The Company is willing to further benefit from Olivier Martinez's skills and input in the context of Board discussions and noting that his mission as a censor is expiring, we propose, under resolution n°7, to renew his appointment for a one-year period, expiring at the end of the Ordinary Shareholders' Meeting to be convened in 2019 to decide on the accounts for the financial year ending 31 December 2018.

The censor function in the Supervisory Board is not remunerated.

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

(c) Attendance fees

We invite you, under resolution n°8 to vote on the allocation of a maximum amount of 200,000 Euros of attendance fees for the benefit of members of the Supervisory Board for the 2018 financial year. The amount of attendance fees proposed remains unchanged in comparison to the amount proposed in the previous financial year.

The Supervisory Board will allocate all or part of this amount amongst its members based on a calculation pertaining to their level of participation during meetings and their responsibility in the different committees which details are described in section 2.1.2.1 “Attendance fees” (*Jetons de présence*) of the Report on Corporate Governance attached to the present Report ([Annex 2](#)).

5. Approval of the principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the members of the Executive Board and of the Supervisory Board for the 2018 financial year (Resolutions n°9 to 12)

The Executive Board invites you to approve the principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the members of the Executive Board and of the Supervisory Board for the 2018 financial year.

Pursuant to Article L.225–82–2 of the French Commercial Code, the Report on Corporate Governance attached to the report mentioned in Articles L.225–100 and L.225–102 of the French Commercial Code, and attached to the present Report ([Annex 2](#)), sets out, in sections 2.1.1 and 2.1.2, the principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman of the Executive Board, the members of the Executive Board, the Chairman of the Supervisory Board and the members of the Supervisory Board given their respective mandates, for the 2018 financial year. These aspects are submitted for your approval.

6. Approval of the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to the members of the Executive Board and to the Chairman of the Supervisory Board for the 2017 financial year (Resolutions n°13 to 15)

The Executive Board invites you to approve the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to the members of the Executive Board and the Chairman of the Supervisory Board for the 2017 financial year.

Pursuant to Article L.225–82–2 of the French Commercial Code, the Report on Corporate Governance attached to the report mentioned in Articles L.225–100 and L.225–102 of the French Commercial Code, and attached to the present Report ([Annex 2](#)), sets out, in section 2.2.1 the fixed, variable and extraordinary components of overall compensation and benefits of all kind granted to the Chairman of the

Executive Board, the members of the Executive Board and the Chairman of the Supervisory Board for the 2017 financial year. It being specified that Nicolai Wagtmann no longer being a member of the Executive Board since 23 June 2017, no variable or extraordinary compensation under which the payment is submitted to the approval of the present Shareholders' Meeting as regards the "ex-post" vote has been granted to him or is due for the financial year ended 31 December 2017. These aspects are submitted for your approval.

7. Company share repurchase Programme (Resolution n°16)

We propose under resolution n°16 that you authorise the Executive Board, in accordance with the provisions of Articles L.225-209 *et seq.* of the French Commercial Code, for a period of 18 months, to purchase the Company's shares at a maximum purchase price which shall not exceed 20 Euros as part of the implementation of a share repurchase programme.

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

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

- retain the Company's shares that would have been purchased and ultimately use them in exchange or as payment within the context of potential external growth transactions, in accordance with stock market regulations;
- provide the Company's shares as a result of the exercise of the rights attached to securities giving access to the share capital of the Company;
- allot shares to employees or officers of the Company, its subsidiaries in accordance with terms and conditions set forth by law, in particular in respect of the allocation of free shares, participation in the profits resulting from the expansion of the business, stock options plans or via a company savings plan;
- ensure liquidity and promote the secondary market for the Company's securities, which would be accomplished by an investment services provider acting under a liquidity contract in compliance with the ethics charter recognised by the *Autorité des Marchés Financiers*;
- cancel all or part of the repurchased shares, provided resolution n°32 below is adopted, by way of the share capital reduction; and
- accomplish all other authorised goals or goals that could become authorised by law or recognised or that would be recognised as market practice by the *Autorité des Marchés Financiers*, in which case the Company would inform its shareholders by way of a press release.

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

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

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

The description and results of the share repurchase program adopted at the Shareholders' Meeting of 23 June 2017 is set out in section 4.1.3 "Acquisition by the company of its own shares" ("*Acquisition par la société de ses propres actions*") of the Reference Document. In the course of the 2017 financial year, this share purchase Programme has not been used.

Please see section II. 4 of the present Report for a description of the resolution pertaining to the cancellation of shares.

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

1. Long-term capital instruments of executive officers, corporate officers, employees and members of the Supervisory Board (Resolution n°17 to 21 and 31)

As in previous years, it is proposed, in the context of these financial resolutions, to grant the Executive Board the possibility, after the authorisation of the Supervisory Board (upon the recommendations of the Compensation and Nomination Committee), to allocate to the employees, executive officers and members of the Supervisory Board the following long-term capital instruments:

- J AGA Bonus Management (resolution n°17): 90,000 free shares, subject to performance criteria (same conditions as for the annual variable compensation) (see section 2.1.1.2 of the Report on Corporate Governance in [Annex 2](#));
- J AGA Employees (resolution n°18): 110,000 free shares;
- J AGA Performance Management (resolution n°19): 300,000 free shares, subject to performance criteria (see section 2.1.1.3 of the Report on Corporate Governance in [Annex 2](#));
- J AGA Performance employees (resolution n°20): 450,000 free shares, subject to performance criteria (see section 2.1.1.3 of the Report on Corporate Governance in [Annex 2](#)).

The following table summarizes the main characteristics of these free shares upon which you are asked to vote:

	Number of shares	Presence Conditions	Vesting Period	Retention Period
AGA Bonus Management (resolution n°17)	90,000	From January 1 st until 31 December of the year of the allocation	1 year	1 year from the definitive allocation
AGA Employees (resolution n°18)	110,000	1 year from granting (condition for definitive allocation)	1 year	1 year from the definitive allocation
AGA Performance Management (resolution n°19)	300,000	3 years from granting (condition for definitive allocation)	3 years	No retention period
AGA Performance Employees (resolution n°20)	450,000	3 years from granting (condition for definitive allocation)	3 years	No retention period

- J Share subscription warrants (*Bons de souscription d'actions*) ("BSA") granted to the members of the Supervisory Board (resolution n°21) (see section 2.1.2.2 of the Report on Corporate Governance in [Annex 2](#)).

The maximum amount of shares that could be issued through these capital instruments for employees, executive officers and members of the Supervisory Board (resolutions n°17 to 21) represents a maximum dilution (if all the conditions are satisfied) of 1.74%. These instruments are designed to motivate and retain the executive and management team and to associate them, together with the employees, to the long-term success of the company and its shareholders.

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

It is proposed, in resolutions n°17,18, 19, and 20, that the Shareholders' Meeting authorises the Executive Board to allocate: free shares to (i) employed executive officers, employed members of the Executive Committee, employed senior executives and /or corporate officers of the Company and its subsidiaries (resolutions n°17 and 19) or (ii) employees of the Company (resolutions n°18 and 20).

If (i) all the free shares are allocated and (ii) the performance conditions conditioning the definitive allocation of the AGA Bonus and of the AGA Performance are entirely met and new shares are issued, it will result in a total share capital increase of 47,500 Euros (950,000 new shares) (that is 1.65% of the current share capital of the Company).

The Executive Board shall determine, for each allocation, (i) a vesting period after which the allocation of existing or new shares will become definitive, and/or (ii) a mandatory retention period starting from the definitive allocation of existing or new shares and/or (iii) the performance conditions, under the following terms:

- J The allocation of the free shares granted to the members of the Executive Committee, employed executive officers and/or corporate officers of the Company for their variable compensation pursuant to resolution n°17 shall only be definitive if the performance conditions are met, such performance conditions being identical to those set out for the annual variable compensation (see section 2.1.1.2 of the Report on Corporate Governance in [Annex 2](#) of the present Report) and measured over the same period. The presence condition shall be met during this period (which is to say from the 1st January until 31 December during the year of the allocation). The definitive allocation will occur upon the expiry of a one-year vesting period, which period is being followed by a one-year retention period from the definitive allocation;
- J The allocation of the free shares granted to the employed members of the Company and its subsidiaries (excluding the persons referred to in resolution n°17) under resolution n°18 shall only be definitive upon the expiry of a one-year vesting period, which period is being followed by a one-year retention period from the definitive allocation and shall be conditional on the beneficiary's presence in the Company or its subsidiaries;
- J The allocation of the free shares granted to employed executive offices, employed members of the Executive Committee, employed senior executives and /or corporate officers of the Company and its subsidiaries under resolution n°19 shall only be definitive upon the expiry of a three-year vesting period and shall be conditioned to the beneficiary's presence in the Company or its subsidiaries and to the performance conditions fixed by the Executive Board and set out in section 2.1.1.3 of the Report on Corporate Governance in [Annex 2](#) of the present Report; and
- J The allocation of the free shares granted to the employed members of the Company and its subsidiaries (excluding the persons referred to in resolution n°19) under resolution n°20 shall only be definitive upon the expiry of a three-year vesting period and shall be conditioned to the

beneficiary's presence in the Company or its subsidiaries and to the performance conditions fixed by the Executive Board and set out in section 2.1.1.3 of the Report on Corporate Governance in Annex 2 of the present Report.

These delegations would be granted for a period of 38 months from the date of the Shareholders' Meeting of 29 May 2018. Prior to using these delegations, a proposal on such use must be submitted by the Executive Board to the Supervisory Board.

It is reminded that should resolutions n°17, 18, 19 and 20 be adopted, these delegations will void any previous delegation having the same purpose, including resolutions n°27 and 28 adopted by the Shareholders' Meeting dated 23 June 2017.

(b) Delegation of authority to the Executive Board for the purpose of issuing share subscription warrants (*bons de souscription d'actions*) for the benefit of members of the Supervisory Board (Resolution n°21)

It is proposed, in resolution n°21, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of BSA for the benefit of the any natural or legal persons being an independent member of the Supervisory Board including following the adoption of the resolutions of the present Shareholders' Meeting.

It is reminded that the members of the Supervisory Board, not being beneficiaries of other long-term incentive instruments of employees or executive officers, the BSA enable to attract high quality profiles while preserving the Company's cash flows (it being specified that, as regards a research and development company, the cash flow generation capacity is very low).

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 2,500 Euros (50,000 new shares, that is 0.09% of the current share capital of the Company).

The Executive Board will set the exercise price of such BSA, which will be at least equal to the average of the closing prices of the share during the last ten stock market trading days preceding the time of allocation of the BSA, it being specified that the subscription price will be equal to 10% of the exercise price of the BSA as calculated above and that the amount paid upon subscription of the BSA shall be deducted from the amount due upon exercise.

The BSA cannot be exercised prior to a two-year period following their allocation and will last for 10 years.

This delegation would be granted for a period of 18 months from the date of the Shareholders' Meeting of 29 May 2018, it being specified that prior to using this delegation, a proposal must be submitted to the Supervisory Board.

We also refer you to the information in Section 2.1.2.2 of the Report on Corporate Governance in Annex 2 of the present Report.

(c) Delegation of authority to the Executive Board for the purpose of increasing share capital without preferential subscription rights, for the benefit of employees (Resolution n°31)

You are reminded that pursuant to the provisions of Article L.225-129-6 of the French Commercial Code, it is mandatory to submit to any Shareholders' Meeting convened to vote on a share capital increase, a draft resolution for the purpose of realising a capital increase pursuant to the conditions set forth at Articles

L.3332-18 *et seq.* of the French Labour Code and of Article L.225-138-1 of the French Commercial Code, i.e., in the context of a company employees savings plan.

Accordingly, it is proposed in resolution n°31, that the Shareholders' Meeting delegates to the Executive Board the authority to decide on the issuance of Company shares or securities giving access to the share capital of the Company, without shareholders' subscription rights, for the benefit of members of a company savings plan established within the Company or its group, up to a maximum nominal amount of 10,000 Euros (that is 0.35% of the current share capital of the Company).

The subscription price of new shares would be equal to 80% of the weighted average of the Company's share prices on Euronext Paris during the last twenty stock market trading days preceding the date on which the decision setting the commencement date of the subscription period is taken, when the lock-up period provided under the savings plan pursuant to Article L.3332-25 *et seq.* of the French Labour Code is less than ten years, and 70% of the weighted average when such lock-up period is greater than or equal to ten years. The Shareholders' Meeting will expressly authorise the Executive Board, if it deems appropriate, to reduce or cancel the above-mentioned discounts, within legal and regulatory limits, in order to take into account, among others, the applicable legal, accounting, tax and social security considerations in the countries where the members of a company savings plan benefiting from the capital increase reside.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018, it being specified that prior to using this delegation, the principle of its use must be submitted to the Supervisory Board.

Equity participation of employees (those holding shares in registered form and excluding executive officers) amounts to 716,317 shares, that is 1.24% of the shares (in the non-diluted share capital) issued at 31 December 2017.

2. Financial delegations authorising the Executive Board to increase the share capital (Resolutions n°22 to 30)

It is proposed, in the context of these financial resolutions, to grant the Executive Board the possibility of increasing the share capital of the Company, to strengthen its equity, and enable the development of its activities and, as the case may be, to realise external growth transactions.

The Board of Directors specifies that these financial delegations provided for by resolutions n°22 to 30 may not be used during a public offer of the Company.

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

In terms of size:

The maximum number of shares that may be issued pursuant to the financial delegations (resolutions n°22 to 24 and 26 to 29) represents 25% of the current share capital.

Furthermore, the maximum number of shares that may be issued pursuant to the financial delegations that grant the Executive Board the power to increase the share capital without preferential subscription rights (resolutions n°23 to 24 and 26 to 29) represents 20% of the current share capital.

These overall caps are set out in resolution n°30.

It is specified that prior to using these delegations the Supervisory Board shall have a say on the principle of such transactions, and that should the amount of one or several of the transactions implemented

represent more than 20% of the current share capital of the Company, the Supervisory Board's decision shall require a two-third majority.

In terms of kind:

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

These increases in capital may be carried:

- J with shareholders' preferential subscription rights (resolution n°22),
- J without this right, but in the context of public offerings, including, as the case may be and if market conditions allow it, to meet potential demand from American investors, through an IPO in the United States (resolution n°23 or 26), or
- J without this right, but in the context of an institutional private transaction (resolution n°24 or 26)¹ – as such, you are reminded that this kind of transactions, which may be performed within a short timeframe in order to properly seize market opportunities, has enabled the Company to raise 70 million Euros in November 2013 and in June 2014 at reduced discount levels.

Finally, you are also being asked to grant the Company the flexibility enabling it to realise external growth transactions, paid in shares rather than in cash:

- J through contributions in kind – up to 10% of the share capital (resolution n°28), or
- J through an exchange public offer (resolution n°29).

In terms of price:

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

- J Provide for, but only up to the limit of 10% of the share capital per annum, a 15% discount, higher than the legal 5% discount (resolution n°25) – once more, this flexibility enables the Company, in particular in the context of private placement transactions, to successfully complete transactions in a challenging market context.
- J Have the possibility of increasing the initial size of the operation by 15% (resolution n°27). This increase is within the cap set for the resolution used for the transaction – it may therefore never lead to a dilution higher than the 20% specified above. This increase in size, the so-called “*green shoe*”, is very important for the successful completion of the transaction: during the hours and days following the first listing of the new securities, the short sellers may exert downward pressure on the stock price, by selling securities, including short-selling. To counter this pressure, the banks that underwrite the transaction need to have the possibility to purchase shares on the market and maintain the stock price at least at the price level of the share capital increase. To do so, they “over allot” to the investors by 15%. If the stock price falls below the transaction price, they may thus repurchase to maintain the stock price (and deliver to the over-allotted investors). If the stock price does not go down, or if their stabilizing transactions have

¹ In addition to the cap set out by the shareholders for the duration of the delegation, the size of such transactions is limited, by law, to 20% of the share capital.

allowed the stock price to go up, they will use the *green shoe* (also called "over-allotment option") to deliver the over-allotted 15% to investors. The implementation of this mechanism is strictly bound by applicable regulations. From a shareholder's perspective, it is necessary to remember that the implementation of the green shoe, if this option is used, represents an additional capital increase and thus additional financing raised by the Company at the same price as the initial transaction, and within the envelope adopted by the shareholders' Meeting. If the banks securing the transaction can't use this option, they won't perform the transaction. In other words, approving an authorisation to increase the share capital without shareholders' preferential subscription right while refusing to approve of the resolution enabling to implement a green shoe is contradictory.

In the event of a transaction carried out with preferential subscription right, this power enables to better serve demands subject to reduction, within the cap of 25%.

(a) Delegation of authority to the Executive Board for the purpose of increasing the share capital, with the preferential subscription right (Resolution n°22)

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

The overall nominal amount of the share capital increases carried out pursuant to this delegation may not exceed a capped amount of 720,087,52 Euros (that is 25% of the current share capital of the Company), it being specified that this cap will be deducted from the overall nominal capped amounts set under resolution n°30.

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

It is reminded that should resolution n°22 be adopted, it voids any prior delegation of authority granted to the Executive Board, having the same purpose, including resolution n°12 adopted by the Shareholders' Meeting held on 2 June 2016.

(b) Delegations of authority to the Executive Board for the purpose of increasing share capital, without preferential subscription rights (Resolutions n°23 and 24)

) Delegation of authority to the Executive Board for the purpose of increasing the share capital, without preferential subscription rights, in the context of a public offer (Resolution n°23)

It is proposed, in resolution n°23, that the Shareholders' Meeting delegates authority to the Executive Board to decide, on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, by way of a public offer.

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

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 576,070.30 Euros (that is 20% of the current share capital of the Company), it being

specified that this cap will be deducted from the overall nominal capped amounts set under resolution n°30.

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

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

It is reminded that should resolution n°23 be adopted, it voids any prior delegation of authority granted to the Executive Board, having the same purpose, including resolution n°13 adopted by the Shareholders' Meeting held on 2 June 2016.

J) **Delegation of authority to the Executive Board for the purpose of increasing the share capital, without preferential subscription rights, through a private placement (Resolution n°24)**

It is proposed, in resolution n°24, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, through private placement with institutional investors.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 576,070,30 Euros (that is 20% of the current share), it being specified that this cap will be deducted from the overall nominal capped amounts set under resolution n°30. Furthermore, the amount of the share capital increases carried out or likely to be carried out may not exceed 20% of the amount of the share capital per year pursuant to Article L.225-136 3° of the French Commercial Code.

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

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

It is reminded that should resolution n°24 be adopted, it voids any prior delegation of authority granted to the Executive Board, having the same purpose, including resolution n°14 adopted by the Shareholders' Meeting held on 2 June 2016.

(c) Delegation of authority to the Executive Board to determine the issuing price (Resolution n°25)

We propose that the Shareholders delegate authority to the Executive Board, to decide, for share capital increases without shareholders' preferential subscription rights representing no more than 10% of the share capital per year, carried out pursuant to resolutions n°23 and 24, to derogate from price conditions provided for under these resolutions, and to set the issuance price of the ordinary shares or all securities giving access to the share capital, in accordance with the following conditions: having taken into account market opportunities, the issuance price would at least be equal to the average weighted volumes (in the central order book and excluding over the counter block trades) of the closing price of the Company share on Euronext Paris on the five stock market trading days preceding the day on which the issuance price was set, potentially reduced by a maximum 15% discount.

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

(d) Delegation of authority to the Executive Board for the purpose of increasing the share capital, without shareholders' preferential subscription and reserved for certain categories of investors (Resolution n°26)

It is proposed, in resolution n°26, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of shares of the Company or any other securities giving access to the share capital for the benefit of industrial and commercial companies involved in the pharmaceutical / biotechnological sector or to investment companies or to investment fund management companies or directly to investment funds, governed by French or foreign law, or to any other legal person (including a trust) or natural person that invest in the pharmaceutical / biotechnological sector, able to participate to a private placement, and to investment services providers, governed by French or foreign law, likely to underwrite the completion of such an issuance of securities.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 576,070.30 Euros (that is 20% of the current share capital of the Company).

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

The issuance price of the shares and securities giving access to the share capital, likely to be issued pursuant to the present delegation, would be determined by the Executive Board and should be at least equal to the weighted average price of the shares during the last five stock market trading days preceding the date on which the issuance price is determined, reduced as the case may be, by a 15% maximum discount authorised by law (including after correction for a difference in the entitlement date).

This delegation would be granted for a period of 18² months from the date of the Shareholders' Meeting of 29 May 2018.

² A clerical mistake has occurred with the text of the resolution, as contained in the *Avis de Réunion* and notice of convocation published at the Bulletin des Annonces Légales Obligatoires n°48 of 20 April 2018 : The duration of this resolution is 18 months – the maximum authorised by article L.225-138 III of the French Commercial Code, and not 26 months, which is the maximum duration for the other delegations of article L.225-129-2.

(e) Authorisation granted to the Executive Board to increase by 15% the number of securities to be issued in the event of excess demands (Resolution n°27)

We propose that the Shareholders' Meeting delegates authority to the Executive Board, to decide, if it receives an excess demand during a share capital increase with or without shareholders' preferential subscription rights carried out pursuant to resolutions n°22, 23, 24 and 26 to increase the number of securities to be issued at the same price as the one retained for the initial issuance.

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

(f) Delegations of authority to the Executive Board for the purpose of increasing the share capital, without preferential subscription rights, in the context of acquisition transactions (Resolutions n°28 and 29)

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

J Delegation of authority to the Executive Board for the purpose of increasing the share capital without preferential subscription rights, as compensation for contributions in kind comprised of equity securities or securities giving access to the share capital (Resolution n°28)

To enable it to develop its activity through potential acquisitions whilst maintaining its cash flow, the Company should be able to pay for these via ordinary shares or securities giving access to the share capital, as it did in July 2017 with the acquisition of the anti-C5aR (now IPH5401).

It is proposed, in resolution n°28, that the Shareholders delegate authority to the Executive Board to issue, without shareholders' preferential subscription rights, shares or any other securities giving access to the share capital of the Company, as payment for contributions in kind made to the Company and comprised of equity securities or securities giving access to the share capital of the Company.

This option would be limited to 10% of the Company's share capital, it being specified that this cap will be deducted from the overall nominal amounts set under resolution n°30.

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

It is reminded that should resolution n°28 be adopted, it voids any prior of authority granted to the Executive Board, having the same purpose, including resolution n°17 adopted by the Shareholders' Meeting held on 2 June 2016.

J Delegation of authority to the Executive Board for the purpose of increasing the share capital without preferential subscription rights, in the event of an exchange public offer initiated by the Company (Resolution n°29)

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

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It is proposed, in resolution n°29, that the Shareholders' Meeting delegates authority to the Executive Board to decide on the issuance, without shareholders' preferential subscription rights, of shares or any other securities giving access to the share capital of the Company, in order to carry out an exchange public offer or a similar transaction on the securities of another company.

The overall nominal amount of the issuances carried out pursuant to this delegation may not exceed a capped amount of 576,070.30 Euros (or 20% of the current share capital of the Company), it being specified that this cap will be deducted from the overall nominal capped amounts set under resolution n°30.

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

This delegation would be granted for a period of 26 months from the date of the Shareholders' Meeting of 29 May 2018.

It is reminded that should resolution n°29 be adopted, it voids any prior delegation of authority granted to the Executive Board, having the same purpose, including resolution n°18 adopted by the Shareholders' Meeting held on 2 June 2016.

(g) Overall limitations on authorisations (Resolution n°30)

We propose that you set the overall limitations on authorisations which may be granted:

- for share capital with or without preferential subscription rights (resolutions n°22 to 24 and 26 to 29), to an overall nominal amount of 720,087.85 Euros (that is 25% of the current share capital of the Company); and
- furthermore, within the above-mentioned threshold, for capital increases without preferential subscription rights (resolutions n°23 to 24 and 26 to 29), to an overall nominal amount of 576,070.30 Euros (that is 20% of the current share capital of the Company).

It is specified that these overall amounts do not take into account any adjustments that may potentially be carried out in order to preserve the rights of holders of securities or other rights giving access to the share capital.

3. Cancellation of shares under the share repurchase programme (Resolution n°32)

The objectives of the share repurchase programme, subject of resolution n°16, include amongst others the cancellation of the acquired shares. As such, we would like you to grant, by your vote on resolution n°32, authorisation to the Executive Board for a period of 18 months, to cancel all or part of the shares of the Company which it may acquire under a share repurchase programme, up to the 10% limit of shares comprising the share capital of the Company per 24 months period.

It is reminded that should resolution n°32 be adopted, it voids any prior delegation of authority granted to the Executive Board, having the same purpose, including resolution n°33 adopted by the Shareholders' Meeting held on 23 June 2017.

4. Modification of the Articles of association: creation of double voting right (Resolution n°33) and removal of the obligation to appoint one or more alternate auditors (Resolution n°34)

It is proposed, in resolutions n°33 and 34, to modify the Articles of association as follows:

- J Article 12 of the Articles of Association "Rights and obligations attributable to the shares" is amended in order to grant a double voting right attached to the ordinary shares (resolution n°33).

Since the entry into force of Law No. 2014-384 of 29 March 2014 (Florange Law), a double voting right is automatically provided for shares admitted to trading on a regulated market and held in registered form of at least two years, unless otherwise provided in the Articles of association (Article L. 255-123 of the French Commercial Code). The Articles of association of the Company providing such a clause, it is proposed to remove it in order to establish a double voting right and thus promote the retention of shareholders over a long-term period. Shareholders may therefore benefit from a double voting right after holding their registered shares for a period of at least two years from 29 May 2018 (the first double voting rights may thus be exercised from 29 May 2020).

J Article 25 of the Articles of Association "Statutory Auditors" is amended in order to remove the obligation to appoint one or more alternate auditors (resolution n°34)

The law No. 2016-1691 of 9 December 2016 on transparency, fight against corruption and the modernization of economic life introduced the possibility of not appointing a substitute statutory auditor when the incumbent auditor is a multi-partner legal person (Article L.823-1 of the French Commercial Code), which is the case of the statutory auditors of the Company. We therefore propose to remove this obligation from the Articles of association. The mandate of the current alternate auditor will not be renewed when it expires.

The text of the new Articles of association of the Company, attached to this Report (Annex 3), will enter into force at the end of the Shareholders' Meeting of 29 May 2018.

5. Powers for formalities (Resolution n°35)

It is proposed that the Shareholders' Meeting grants full powers to the holder of an original, a copy, or an excerpt of the minutes of the Shareholders' Meeting of 29 May 2018 for the purpose of completing legal formalities.

* * *

Should you approve our various proposals, please confirm with your vote by adopting these resolutions which will be read to you and have been kept available at the registered office during the fifteen days preceding the Shareholders' Meeting of 29 May 2018 in accordance with law.

The Executive Board

Annex 1: List of related party agreements and undertakings

1 Acquisition transaction of C5aR from Novo Nordisk A/S

On 2 June 2017, Innate Pharma entered into a contribution-in-kind agreement with Novo Nordisk A / S, pursuant to which Novo Nordisk A / S committed to a contribution in kind of shares for the benefit of Company (the "**Contribution**"), contribution relating to all the shares held by Novo Nordisk A / S in a company called NN C5aR SAS created to allow the acquisition of the exclusive development and marketing rights of the anti -C5aR by the Company. Prior to the completion of the Contribution, Novo Nordisk A / S has transferred to NN C5aR all rights and products relating to the anti-C5aR antibody (becoming the IPH5401 program), in accordance with a licensing agreement that governs the rights and obligations of the parties for the future. The Company soon absorbed this subsidiary and thus became a direct party to the license agreement.

The terms of the agreement provide for an initial payment of 40 million Euros, enabled by issuing new Innate Pharma shares for 37.2 million Euros and in cash for 2.8 million Euros. Novo Nordisk A / S is eligible for milestone payments related to the achievement of development goals of up to 370 million Euros and future sales royalty of more than 10%.

As part of the operation described above the following agreements have been made with Novo Nordisk A / S:

-) a Contribution Agreement dated 2 June 2017,
-) a License Agreement dated 4 July 2017,
-) a cover letter dated 23 June 2017 whereby Innate Pharma and Novo Nordisk A / S have agreed on the principles of the transaction and Innate Pharma's assumption of certain external consulting costs and costs relating to the manufacture of a first batch,
-) an indemnity agreement dated 13 July 2017.

Reason justifying the interest of the convention:

This acquisition will enable Innate Pharma to strengthen its portfolio of proprietary antibodies with the acquisition of anti-C5aR (which becomes the IPH5401 program), a clinical-stage antibody that could be clinically tested in oncology from 2018.

2 Agreement with Novo Nordisk A / S in connection with Operation NKG2A

As part of the NKG2A transaction, Innate Pharma entered into an agreement with Novo Nordisk A / S dated 8 December 2017 to settle the tax consequences of this transaction.

Reason for the interest of the agreement: clarification of the tax implications of operation NKG2A for the parties.

Terms and conditions: Innate Pharma will assist Novo Nordisk A / S with the French tax authorities and Novo Nordisk A / S will cooperate and provide all the necessary documents that would be required to secure the implementation of the regulation with the French tax authorities.

3 Material Production Agreement with Novo Nordisk A / S

On 13 December 2017, Innate Pharma and Novo Nordisk A / S concluded an agreement under which Novo Nordisk A / S agreed to produce additional C5aR lots for an estimated amount of 2,349,000 Euros.

Reason for the interest of the agreement: this agreement enables to obtain batches of C5aR, at a cost comparable to those of other CMOs (contract manufacturing organization).

4 Agreement with Hervé Brailly as Chairman of the Supervisory Board

On 14 December 2016, but effective as of December 30, 2016, the Supervisory Board assigned Hervé Brailly, in addition to his duties as Chairman of the Supervisory Board, with a special assignment under Article L. 225-84 of the French Commercial Code. This special mission consisted of transitioning to the new Innate Pharma management team and providing strategic advice.

As part of this mission, Hervé Brailly received total gross compensation of 100,000 Euros in 2017.

This special mission was renewed by the Supervisory Board on 13 December 2017 and will expire on 31 December 2018. For the financial year ending on 31 December 2018, Hervé Brailly will receive a gross annual fixed compensation of 100,000 Euros.

5 Agreements with Mondher Mahjoubi as Chairman of the Executive Board

Article 83:

Mondher Mahjoubi benefits from an "Article 83" retirement contract with France Life at a rate of 2% gross compensation, of which 1.20% is paid by Innate Pharma.

The amount paid by Innate Pharma for the 2017 financial year amounted to 3,964 Euros.

Company car:

Mondher Mahjoubi benefits from a long-term rental contract for a company car which generated a charge of 1,947 Euros for the 2017 financial year.

Housing:

Innate Pharma has taken over, for the year 2017, part of the housing costs of Mondher Mahjoubi. The housing costs covered by Innate Pharma for 2017 amounted to 6,026 Euros. In accordance with Mondher Mahjoubi's mandate agreement, the reimbursement of housing costs ended on 30 June 2017.

Non-competition and non-solicitation commitment:

The mandate agreement signed on 30 December 2016 between Mondher Mahjoubi and Innate Pharma provides for the payment of a lump sum compensation equal to two years of fixed and variable compensation due to its obligation of non-competition and non-solicitation paid in monthly fractions. for a period of 24 months from the date on which he no longer performs his duties as Chairman of the Executive Board.

Nothing was paid under this indemnity in 2017.

6 Agreements with Yannis Morel as member of the Executive Board

Compensation:

Yannis Morel received a fixed monthly salary of 15,000 Euros over six months for the period January–June 2017 and 18,000 Euros over six months for the period July–December 2017 under his employment contract. Yannis Morel will receive in 2017, for the year 2017, an individual bonus of 46,305 Euros.

Article 83:

Yannis Morel also benefits from a "Article 83" retirement contract with France Life at a rate of 2% of gross compensation, of which Innate Pharma has a charge of 1.20%.

The amount paid by Innate Pharma for the 2017 financial year amounted to 2,051 Euros.

Company car:

Yannis Morel has a long-term rental contract for a company car that has generated a charge of 1,800 Euros for the 2017 financial year.

7 Agreements concluded with Nicolai Wagtmann as member of the Executive Board until 23 June 2017

Compensation:

Nicolai Wagtmann received a fixed monthly salary of 15,000 Euros over six months for the period January–June 2017 under his employment contract.

Nicolai Wagtmann resigned as a CSO and as a member of the Management Board on 23 June 2017. He did not receive any individual bonus under his employment contract during the year 2017.

Tuition fees:

Nicolai Wagtmann benefited in 2017 from tuition reimbursement amounting to 7,713 Euros.

Article 83:

Nicolai Wagtmann has also benefited from a "Article 83" retirement contract with France Life at a rate of 2% gross remuneration, of which Innate Pharma has paid 1.20%.

The amount paid by Innate Pharma for the 2017 financial year amounted to 2,049 Euros.

Company car:

Mr. Nicolai Wagtmann benefited for the period January–June 2017 from a long-term lease of a company car which generated a charge of 1,750 Euros for the 2017 financial year.

8 Agreement with Novo Nordisk A / S as shareholder

Collaboration contract:

On 28 March 2006, Novo Nordisk A / S and Innate Pharma signed an exclusive collaboration and licensing agreement for the development and commercialization of the IPH 2101 product.

The parties entered into an amendment n° 1 on 6 October 2008, the main purpose of which is to give Innate Pharma the exclusive rights to develop and commercialize the drug candidate IPH 2101.

An amendment n°2 was entered into on 6 October 2008; under this amendment, Innate Pharma has waived the rights to milestone payments and royalties on sales held on IPH 2301 another drug candidate licensed to Novo Nordisk A / S.

An amendment n°3 of 26 June 2009 related to adjustments in the management of patents.

An amendment n°4 was signed on 16 December 2010 changing the scope of their respective developments, without financial implications.

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

An amendment n°6 was signed on 5 July 2011 to align certain terms of the contract with the agreement between Bristol-Myers Squibb and Innate Pharma on 6 July 2011.

An amendment n°7 was signed on 5 February 2014 under which Novo Nordisk A / S sold to Innate Pharma the development and marketing rights of the anti-NKG2A candidate for an amount of 7 million Euros breaking down 2 million Euros paid in cash and 600,000 Innate Pharma shares. Under this addendum no. 7 Innate Pharma undertook to reimburse Novo Nordisk A / S for the annual maintenance costs of an underlying license owed by Novo Nordisk A / S to a third party.

An amendment n°8 was signed on 3 November 2016 with retroactive effect from 16 September 2016 under which Novo Nordisk A / S and Innate Pharma agreed to adjust the terms of payment and to align exactly the obligations of reimbursement of Innate Pharma to Novo Nordisk A / S with the costs due by Novo Nordisk A / S to this third party.

License Agreement:

Novo Nordisk Health Care AG, a wholly-owned subsidiary of Novo Nordisk A / S and Innate Pharma, signed a licensing agreement on 9 December 2013 whereby Novo Nordisk Health Care AG grants Innate Pharma a co-exclusive license to patents. protein engineering.

Agreement with Novo Nordisk A / S:

On March 24, 2016, a memorandum of understanding was signed between Innate Pharma and Novo Nordisk A / S relating to the amounts due to Novo Nordisk A / S under the contract with AstraZeneca in April 2015. Innate Pharma thus paid to Novo Nordisk A / S an amount of 6.5 million Euros. In addition, if AstraZeneca makes the USD 100 million payment as provided by the contract between Innate Pharma and AstraZeneca in April 2015, Innate Pharma will then have to pay an additional USD 15 million to Novo Nordisk A/S. As of the date of this letter, given the uncertainty of the results, any future additional payment to Novo Nordisk A / S based on an additional payment from AstraZeneca was uncertain. However, if AstraZeneca does not make this additional payment or if the co-development and marketing agreement with AstraZeneca were to be terminated for any reason, Innate Pharma would then pay Novo Nordisk A / S the balance of the research and development budget originally planned and not yet spent or committed. Nevertheless, as of the date of this letter, given the uncertainty regarding the development plans, the Company did not expect to make such a payment to Novo Nordisk A / S.

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Annex 2: Report on Corporate Governance

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

INNATE PHARMA S.A.

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

with social capital of €2,880,351.55

Divided into 54,010,754 shares of €0.05 of nominal value

424 365 336 RCS Marseille

CORPORATE GOVERNANCE REPORT

2017

DEFINITIONS

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

	AGA Management	AGAP Management 2016/2017	AGA Bonus Management 2017	AGA Employees	AGAP Employees
Instrument	Free shares	Free preferred shares	Free shares	Free shares	Free preferred shares
Beneficiaries	Executive Board and Executive Committee members			Employees	Employees
Definitive acquisition period (as from attribution)	Three years	One year	One year	One year	One year
Retention period (as from definitive acquisition)	-	Two years	One year	Two years	Two years
Terms	Presence on the definitive acquisition date	Presence at the definitive acquisition date and at the end of the retention period	Presence on the definitive acquisition date	Presence on the definitive acquisition date	Presence at the definitive acquisition date and at the end of the retention period
Authorized by	AGM of June 2, 2016 (resolution 21) and AGM of June 23, 2017 (resolution 26)	AGM of June 2, 2016 (resolution 24) and AGM of June 23, 2017 (resolution 30)	AGM of June 23, 2017 (resolution 27)	AGM of June 2, 2016 (resolution 22) and AGM of June 23, 2017 (resolution 28)	AGM of June 2, 2016 (resolution 25) and AGM of June 23, 2017 (resolution 31)
Number of ordinary shares in case of maximum conversion	-	AGAP 2016: 200 AGAP 2017: 100	-	-	AGAP 2016: 200 AGAP 2017: 100
Performance criteria assessed over a three-year period	-	AGAP 2016: Operational and stock value criteria AGAP 2017: Stock value criteria	Number of shares definitely acquired depending on the cash equivalent of 50% of the annual variable compensation increased by a 30% premium	-	AGAP 2016: Operational and stock value criteria AGAP 2017: Stock value criteria

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

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

Peer group Means a basket of biotechnology companies specialized in immuno-oncology with a development and a market capitalization similar to the Company, in Europe or in the US. Such companies were chosen by the Company for an internal study on the Chairman's global compensation.

Such internal study aimed at positioning the Chairman's compensation within the Peer Group.

The inclusion criteria for the Peer Group were:

- (i) Biotechnology companies at a comparable development stages;
- (ii) Companies specialized in the therapeutic field of Immuno-oncology;
- (iii) Publishing a level of information allowing this comparison.

On the date the Peer group has been formed and the above criteria observed, the valuation of Innate Pharma was at the median of the group valuation.

The study on the Peer Group is used for illustrative purpose under this report to range the Chairman's compensation among the Peer Group's practices.

The internal study on the Peer Group was made during the third quarter of 2017, on the basis of information published by such companies and uses the Company's share price at such time.

Our Peer Group panel is made of the following companies : Ablynx ; Adaptimmune ; Agios Pharmaceuticals ; Argenx ; Calithera ; Celldex ; Erytech ; Five Prime ; Loxo Oncology ; Medigene ; Molecular Partners ; Morphosys ; Nanobiotix ; and Newlink Genetics.

Chapitre 1. CORPORATE GOVERNANCE

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

The Company complies with the AFEP/MEDEF corporate governance recommendations for publicly listed companies updated on November 24th, 2016 ("AFEP/MEDEF recommendations") which can be consulted on the site www.medef.com, and applies the principles set out therein, except as set out in paragraph 1.7 of this report. In accordance with the recommendations included in this code, the reasons for not applying certain principles are explained in this report.

It is specified that the tables issued from AMF Recommendation 2009-16 dated December 20, 2010 and updated on April 13, 2015 on the drafting of the reference document will be included into the 2017 Reference document.

1.1. PRESENTATION OF EXECUTIVE COMMITTEE AND SUPERVISORY BOARD MEMBERS ON DECEMBER 31, 2017

1.1.1 Changes to the Executive and Supervisory Board and brief description table of the members

Changes occurred to the Supervisory and Executive board structure during the fiscal year ended on December 31, 2017

Board	Date	Event	Member	Committee(s)
Supervisory Board	04/10/17	Leaving	Michael Caligiuri	None
Executive Board	06/23/17	Leaving	Nicolai Wagtmann	N/A
Supervisory Board	06/23/17	Renewal	Hervé Brailly	Compensation and nomination
Supervisory Board	06/23/17	Renewal	Gilles Brisson	Compensation and nomination and Audit
Supervisory Board	23/06/17	Renewal	Irina Staatz Granzer	Transaction and Audit
Supervisory Board	06/23/17	Renewal	Novo Nordisk A/S	Transaction
Supervisory Board	06/23/17	Renewal	Véronique Chabernaud	Compensation and nomination
Supervisory Board	06/23/17	Renewal	Patrick Langlois	Compensation and nomination and Audit
Supervisory Board	06/23/17	Appointment	Bpifrance Participations	Audit
Supervisory Board	06/23/17	Appointment	Jean-Charles Soria	None
Supervisory Board	08/30/17	Leaving	Jean-Charles Soria	None
Supervisory Board	12/13/17 (effect on 01/30/18)	Appointment	Jean-Yves Blay	None

Brief description table of Executive and Supervisory board members at the date of this report

Personal information		Experience			Position			Committees					
	Age	Sex	Nationality	Number of ordinary shares freely transferable	Main position outside the Company	Mandates in listed companies	Independance	Initial appointment date	Mandate termination	Seniority ⁽¹⁾	Audit	Compensation and nomination	Transaction
Executive board members													
Mondher Mahjoubi	59	H	French	0	N/A	N/A	N/A	12/30/16	12/30/19	1 year	N/A	N/A	N/A
Yannis Morel	44	H	French	54,937	N/A	N/A	N/A	05/25/15	12/30/19	3 years	N/A	N/A	N/A
Supervisory board members													
Hervé Brailly	56	H	French	1,024,784	See 1.1.3	N/A	✗	12/30/16	2019 AGM ⁽⁵⁾	1 year	✗	✓	✓
Gilles Brisson	66	H	French	48,059	See 1.1.3	N/A	✓	07/27/07	2019 AGM ⁽⁵⁾	11 years	✓	✓	✗
Patrick Langlois	72	H	French	8,141 ⁽⁴⁾	See 1.1.3	See 1.1.3	✓	05/25/10	2019 AGM ⁽⁵⁾	8 years	✓	✓	✗
Irina Staatz-Granzer	58	F	German	100	See 1.1.3	N/A	✓	06/23/09	2019 AGM ⁽⁵⁾	9 years	✓	✗	✓
Novo Nordisk A/S ⁽²⁾	51	H	Danish	8,908,456	Senior VP Corporate Finance (Novo Nordisk group)	See 1.1.3	✗	07/26/07	2019 AGM ⁽⁵⁾	11 years	✗	✗	✓
Bpifrance Participations ⁽³⁾	55	F	French	4,396,682	Director of Pôle Investissement Large Venture at Bpifrance	See 1.1.3	✗	06/23/17	2019 AGM ⁽⁵⁾	1 year	✓	✗	✗
Véronique Chabernaud	56	F	French	10	Founder of association "Créer la vitalité"	N/A	✓	04/27/15	2019 AGM ⁽⁵⁾	3 years	✗	✓	✗
Jean-Yves Blay	55	H	French	0	General Director of Léon Bérard centre	N/A	✓	12/13/17	2019 AGM ⁽⁵⁾	0	✗	✗	✗

(1) Into the Executive/Supervisory board

(2) Permanent representative: Marcus Schindler replacing Karsten Munk Knudsen as from March 7, 2018

(3) Permanent representative: Mailys Ferrere

(4) Number of shares held directly and indirectly

(5) AGM ruling in 2019 on 2018 accounts

1.1.2 EXECUTIVE BOARD AND EXECUTIVE COMMITTEE MEMBERS ⁽¹⁾

Mondher Mahjoubi, M.D.



Chairman of the Executive board

Born on 09/16/1958– French

First nomination on 12/14/16

Term expires: 12/30/2019

Holding of shares and equity instruments	Shares	0	AGA 2016–2	250,000
	AGAP 2016–2	3,000	AGA Bonus Management	15,218 ⁽²⁾
	AGAP 2017–1	700	2017–1	

Expertise and experience

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

Other positions and mandates in listed and unlisted companies: N/A

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

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

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

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

(1) Nicolai Wagtmann, Executive board member, Executive VP, Chief Scientific Officer, left the Company for personal reasons and follows a career in the USA on June 23, 2017. He did not hold any other position or mandate simultaneously with his mandate at Innate during the 2017 fiscal year.

Marcel Rozenzweig, Executive VP, President of Innate Pharma Inc., left the Executive Committee in September 2017. He remains bound to the Company with periodic consultancy missions and remains President of Innate Pharma Inc.

(2) See 2.2.1.2

Yannis Morel, PhD



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

Born on 11/02/1973– French

First nomination on 06/25/2015

Term expires: 12/20/19

Holding of shares and equity instruments

Shares	54,937	BSAAR	88,000	AGAP 2016–1	450	AGA Bonus Management 2017–1	2,656 ⁽¹⁾
				AGAP 2017–1	500		

Expertise and experience

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

Other positions and mandates in listed and unlisted companies

N/A

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

N/A

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

N/A

(1) See 2.2.1.2

Pierre Dodion, MD, MBA



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

Borne on 08/07/1954– French

First nomination in 2014

Holding of shares and equity instruments

Shares	372	BSAAR	57,000	AGAP 2016-1	250
				AGAP 2017-1	400

Expertise and experience

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

Other positions and mandates in listed and unlisted companies

N/A

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

N/A

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

N/A

Laure-Hélène Mercier, MSc, MBA



Executive Committee member, Executive Vice President and Chief Financial Officer

Borne on 02/09/1978- French

First nomination in 2016

Holding of shares and equity instruments

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

Expertise and experience

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

Other positions and mandates in listed and unlisted companies

N/A

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

N/A

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

N/A

(1) Including 1,162 ordinary shares resulting from the definitive acquisition of the AGA Employees 2016-2, which will be transferable at the end of the retention period, on October 21, 2019

Jérôme Tiollier, PhD



Executive Committee member, Executive Vice President and Chief Development Officer

Borne on 04/16/1959– French

First nomination in 2001

Holding of shares and equity instruments

Shares	130,982	BSAAR	70,000	AGAP 2016-1	100
				AGAP 2017-1	400
AGA Bonus Management 2017-1			2,385		

Expertise and experience

Jérôme Tiollier joined the Company in September 2001. He is the Executive Vice-president in charge of operations. Dr. Tiollier graduated from the University of Lyon and holds a doctorate in cellular biology and immunology. He previously worked at IMEDEX SA, a division of Institut Mérieux (1986–1997). Before joining the Pasteur Mérieux's IMTIX Transplant business unit (acquired by Sangstat in 1998), he worked as Director of Preclinical development (1997–1999) and Director of Research and Development Europe (1999–2001). In the latter position, he managed pharmaceutical projects (including Thymoglobulin and Antilfa) and was involved in the company's medication research activities.

Other positions and mandates in listed and unlisted companies: N/A

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

N/A

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

N/A

Eric Vivier, DVM, MBA



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

Borne on x04/06/1964 – French

1st appointment in 2018

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Holding of shares and equity instruments

Shares	32,350	AGA	25,000	AGAP 2017-1	500
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Expertise and experience

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

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

Other positions and mandates in listed and unlisted companies

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

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

N/A

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

N/A

1.1.3 SUPERVISORY BOARD MEMBERS

Hervé Brailly, PhD



Chairman of the Supervisory Board – Non independent member

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

Borne on 12/16/1961 – French

First nomination on 12/30/2016

Term expires: 2019 AGM

Holding of shares and equity instruments

Shares	1,024,784	BSAAR	350,000	AGAP 2016-1	500
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Expertise and experience

Hervé Brailly is a co-founder and chaired the Executive committee from the time the Company was created in 1999 until it was converted into a *société anonyme* with an Executive board and a Supervisory board on June 13, 2005 and was Chairman of the Executive board until December 30, 2016. Previously, he was a researcher at Immunotech SA, a biotechnology start-up acquired in 1995 by Beckman-Coulter (1986-1994), and was in charge of marketing, business development and R&D at the same company (1994-1998). Beginning in 1998, Mr. Brailly was the director of a business unit of the company with 65 employees (R&D, marketing, manufacturing), with annual sales of 30 million U.S. dollars. He was the force behind the growth of the business activities in China for the same company between 1994 and 1998. Since 2017, he's member of the Board of Deinnove, a listed company. Hervé Brailly is also involved into the governance of other associations and state-owned entities in relation with the University, the innovation for life science and the transfer of technologies. Hervé Brailly is member of the Board of Deinnove SA (listed company) since 2017. In addition, Hervé Brailly is implied into the governance of several associations and government units belonging to the University and working on innovation in life science and technology transfer. Hervé Brailly graduated from of the Ecole des Mines de Paris (1983) and a Doctor of Immunology, with a specialization in immuno-pharmacology.

Other mandates and positions in listed companies

- Member of the board of Deinnove SA

Other mandates and positions in unlisted companies

- President of the engineering school Polytech-Marseille (Aix Marseille Université);
- Member of the board of Swenson Global SA;
- Member of the bureau and treasurer of Eurobiomed;
- Member of the development counsel of Provence Métropole;
- Member of the Strategic and prospective committee of Aix Marseille Université;
- Member of the Investment committee of SATT Sud-Est;
- President of Kervrant Biotech SAS.

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

- Member of the Supervisory board of Inserm Transfert (not renewed in 2014);
- Member of the board of Platine Pharma Services (not renewed in 2014);
- Chairman of the board of Innate Pharma Inc. (resignation on December 30, 2016).

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

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

Gilles Brisson, HEC



Member of the Supervisory board – independent member

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

Borne on 01/08/1952 – French

First nomination on 07/26/2007

Term expires: 2019 AGM

Holding of shares and equity instruments

Shares 48,059

BSA 50,000

Expertise and experience

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

Other positions and mandates in listed companies

N/A

Other positions and mandates in unlisted companies

- Chairman of the Supervisory board of Ethypharm SA;
- Member of the Supervisory board of Carso group.

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

N/A

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

- Chairman of the Board of Mauna Kea Technologies

Patrick Langlois



Member of the Supervisory board – independent member

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

Born on 12/09/1945 – French

First nomination on 05/25/2010

Term expires: 2019 AGM

Holding of shares and equity instruments

Shares 8,141

BSA 7,000

Expertise and experience

Patrick Langlois joined the Rhône-Poulenc group in 1975 and was appointed in particular Financial Director of the Rhône-Poulenc group in 1997 and Financial Director and Executive Vice President of the Aventis group from 2002 to 2004. M. Patrick Langlois has been Managing Partner of PJL Conseils since 2005 and is a Director of several biopharmaceutical companies

Other positions and mandates in listed companies

- Independent member of the Board, President of the Audit Committee and member of the Compensation committee of Stallergènes Greer PLC;
- Member of the Board, member of the Compensation committee and President of the Audit committee of Newron;
- Chairman of the Board, president of the Compensation and nomination committee of Sensorion SA (FR).

Other positions and mandates and unlisted companies

N/A

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

- Member of the Board of Diaxonhit, not renewed in 2014;
- Chairman of the Board, President of the Compensation and nomination committee of ONXEO SA, note renewed in 2016;
- Member of the Board and President of the Audit committee and member of the Compensation committee of Scynexis, not renewed in 2017;

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

N/A

Irina Staatz-Granzer



*Vice-Chairman of the Supervisory Board – independent member
President of the Transaction committee and member of the Audit committee*

Born on 05/25/1960 – German

First nomination on 06/23/2009

Term expires: 2019 AGM

Holding of shares and equity instruments

Shares 100

BSA 45,000

Expertise and experience

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

Other positions and mandates in listed companies

N/A

Other positions and mandates in unlisted companies

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

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

N/A

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

- Chairman of Blink Therapeutics Ltd (not renewed in 2017)

Novo Nordisk A/S represented by Marcus Schindler



Member of the Supervisory board – Non independent member

Member of the Transaction committee

Borne on 09/17/1966 – Danish

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

Term expires: 2019 AGM

Holding of shares and equity instruments

8,908,456 shares

Expertise and experience

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

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

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

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

N/A

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

N/A

Other positions and mandates in listed and unlisted companies

N/A

Bpifrance Participations represented by Maily Ferrere



Member of the Supervisory board – Non independent member

Member of the Audit committee

Borne on 09/12/1962 – French

First nomination on 06/23/2017

Term expires: 2019 AGM

Holding of shares and equity instruments

4,396,682 shares

Expertise and experience

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

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

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

Other positions and mandates in listed companies

- Member of the Board of DBV;
- Member of the Board of Valneva SE;
- Member of the Board of Sequans Communication SA.

Other positions and mandates in unlisted companies

- Member of the Board of Euronext Paris

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

- Member of the Board of Pixium (expired in 2017);
- Member of the Board of Gensight (expired in 2017);

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

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

Véronique Chabernaud



Member of the Supervisory board – Independent member

Member of the compensation and nomination committee

Borne on 11/18/1961 – French

First nomination on 04/27/15

Term expires: 2019 AGM

Holding of shares and equity instruments

Shares

10

BSA

24,200

Expertise and experience

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

Other positions and mandates in listed companies

N/A

Other positions and mandates in unlisted companies

- Founder of the association « Créer la Vitalité »

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

N/A

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

N/A

Jean-Yves Blay



Member of the Supervisory board

Borne on 11/02/1962- French

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

Term expires: 2019 AGM

Holding of shares and equity instruments: N/A

Expertise and experience

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

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

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

Other positions and mandates

- General Director of Centre Léon Bérard in Lyon

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

N/A

Other positions and mandates in unlisted companies

N/A

Olivier Martinez, PhD, MBA



Observer of the Supervisory Board

Born on 09/18/1970 – French

Term expires: 2018 AGM

Holding of shares and equity instruments : N/A

Expertise and experience

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

Other positions and mandates in listed companies

- Member of the Board of HaliuDx (permanent representative of Bpifrance Investissement);
- Observer to the Board of Poxel (permanent representative of Bpifrance Investissements);
- Observer to the Board of Cerenis Therapeutics (permanent representative of Bpifrance Investissements).

Other positions and mandates in unlisted companies

- Member of the Board of Adocia;

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

- Member of the Board of Cerenis Therapeutics (resigned in 2015);
- Member of the Supervisory Board of Genticel (permanent representative of Bpifrance Investissements, resigned in February 2017);
- Member of the Board of Poxel (permanent representative of Bpifrance Investissements, resigned in 2017).

Other positions and mandates in unlisted companies

- Member of the Direction Committee of Fab Pharma (term expired in 2017);
- Member of the Board of Alizé Pharma (resigned in 2017);
- Member of the Supervisory Board of Cytheris (under court receivership since 2013)

1.2. ORGANIZATION AND FUNCTIONING OF EXECUTIVE AND SUPERVISORY BODIES

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

1.2.1. SUPERVISORY BOARD ORGANIZATION

1.2.1.1 Supervisory Board members

) Composition of the Supervisory board

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

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

Supervisory Board members are important people from the business sector of the Company, at an international level.

With Irina Staatz-Granzer, Véronique Chabernaud and Maily Ferrere (permanent representative of Bpifrance Participations), three women are members of the Supervisory Board. The proportion of members of each sex within the Supervisory Board is therefore compliant with the rules of Article L. 225-69-1 of the Code of commerce

Supervisory board members independence

In accordance with the AFEP/MEDEF recommendations, Article 2.2 of the Charter of the Supervisory board, as modified on September 15, 2017, states that a member of the Supervisory board is an independent member when:	H.Brailly	G.Brisson	P.Langlois	I. Staatz-Granzer	K. Munk Knudsen (Novo Nordisk A/S)	M. Ferrere (Bpifrance Participations)	V.Chabernaud	Jean-Yves Blay
He or she is not involved in any relationship with the Company, its group or its management, which could compromise his or her judgment	✓	✓	✓	✓	✓	✓	✓	✓
He or she does not represent a shareholder who holds more than 10% of the voting rights of the Company	✓	✓	✓	✓	✗	✓	✓	✓
Therefore, an independent member must not be or was, currently or within the past five years:								
an employee or corporate officer ³ of the Company	✗	✓	✓	✓	✓	✓	✓	✓
an employee or director of an entity consolidated by the Company	✓	✓	✓	✓	✓	✓	✓	✓
a corporate officer of a company in which the Company is, either directly or indirectly, a director, or in which an employee or a corporate officer of the Company either currently or within the past five years is a director	✓	✓	✓	✓	✓	✓	✓	✓
a customer ⁴ , supplier, investment banker or commercial banker that is significant to the Company or, if applicable, to one of its subsidiaries or for which the Company or one of its subsidiaries represent a significant part of its business	✓	✓	✓	✓	✓	✓	✓	✓
have any close family relationship to a corporate officer of the Company or, if applicable, of a subsidiary;	✓	✓	✓	✓	✓	✓	✓	?
have been an auditor of the Company or, if applicable, of one of its subsidiaries, or within the past five years	✓	✓	✓	✓	✓	✓	✓	✓
be a corporate officer of the Company for more than twelve years	✓	✓	✓	✓	✓	✓	✓	✓
receive or have received a significant remuneration from the Company or from one of its subsidiaries, except for directors' fees, including participation in stock options plan or to any form of performance-limited remuneration scheme	✗	✓	✓	✓	✓	✓	✓	?

The Board may consider that a member of the Supervisory board, even though he or she may meet the criteria above, does not qualify as independent based on his or her and the Company's particular situation in view of its shareholdings or of any other reason.

At the date of this report, three members of the Supervisory board are considered as non-independent members:

- Novo Nordisk A/S, represented by Mr. Marcus Schindler, which holds 15.3% of the shares and voting rights of the Company at the date of this report;
- Bpifrance Participations, represented by Mailys Ferrere, which holds 7.6% of the shares and voting rights of the Company at the date of this report;
- Hervé Brailly, who was Chairman of the Executive board from 2005 to 2016.

The other members of the Supervisory Board, Gilles Brisson, Patrick Langlois, Irina Staatz-Granzer, Véronique Chabernaud and Monsieur Jean-Yves Blay are regarded as independent since they complied with the above mentioned criteria.

³ Corporate officers mean the Chairman and the Executive board members

⁴ Or be related to the Company, directly or indirectly

In 2017, the Supervisory board will discuss the relations between independent members of the Supervisory board and the Company, according to the above-mentioned criteria.

Possible conflicts of interest that could result from certain discussions in the Supervisory board lead to the exclusion of the conflicted Supervisory board member(s) from these discussions.

The Chairman of the Supervisory board is currently a non-independent member.

Any Board mandate held by the members of the Supervisory board in other companies (such as described in Reference document) is independent of their mandate with the Company. Members of the Supervisory board of Innate Pharma SA have no such mandate in the affiliates of the Company.

) **There are no service contracts between members of the Supervisory board and the Company or its subsidiaries. Assessment of the significance of potential business relationship with independent members**

At the date of this report, no independent member of the Supervisory board maintains or maintained any business relation (*i.e.* be client, finance banker, business banker) with the Company.

) **Appointment and renewing of the Supervisory board members**

Supervisory board members were, as the case may be, renewed or appointed following the General Meeting held on June 23, 2017 for a two-year period and their mandate will end at the General Meeting to be held in 2019 on 2018 accounts.

Following Jean-Charles Soria resignation on August 30, 2017, the Supervisory board held on December 13, 2017 appointed, as provided under Article L. 225-78 of the Code of commerce, a new member of the Supervisory board, subject to the ratification of such appointment by the next General Meeting. Thus, Jean-Yves Blay was appointed as member of the Supervisory Board until the 2018 Annual General Meeting on 2018 accounts, his mandate being subject to ratification by such meeting.

1.2.1.2 *Observer*

The By-laws of the Company gives the General Meeting of shareholders the right to appoint, at its discretion, one or more observers, who may be either individuals or legal entities, shareholders or not, for a term of one year that expires at the General Meeting of shareholders called to vote on the latest financial accounts prepared after the first anniversary of their mandate. These mandates are renewable indefinitely.

The observers take part in all meetings of the Supervisory board, with the right to speak under the same procedures as those set forth for the members of the Supervisory board. They receive the same information and communications as the latter and are bound by the same terms of confidentiality and discretion. The obligations of deontology mentioned in the Charter of the Supervisory board are applicable to the observers.

During previous years, Bpifrance Participations, represented by Olivier Martinez had a mandate as observer to the Supervisory Board (successive one-year mandates, renewable at each Annual General Meeting).

Such mandates allow to Olivier Martinez to acquire full understanding of the Company and provide the Supervisory board with his expertise.

Thus, Olivier Martinez was appointed as observer by the 2017 Annual General Meeting for a one-year period ending at the 2018 Annual General Meeting on the 2017 accounts.

1.2.3. SUPERVISORY BOARD FUNCTIONING

The Supervisory board complies with applicable laws and regulations and article 17 to 21 of Company's by-laws.

The Supervisory Board also complies with functioning rules set forth by the charter of the Supervisory Board as modified on September 15, 2017 and published on the Company's website (the "**Charter**"). The Charter notably sets forth the functioning rules of the Supervisory Board and its committees.

At the date of this report, there are three Supervisory board's committees: Audit committee, Compensation and nomination committee and Transaction committee. There is also a Scientific advisory board, which is not compounded of Supervisory board members.

1.2.3.1. Missions of the Supervisory board

The main missions of the Supervisory board are as follows:

-) Discussion of strategic orientations,
-) Appointment of the members of the Executive board,
-) Exercise of permanent control over the Company's management by the Executive board, review of the annual and half-year accounts and communication of relevant information to shareholders and to the financial markets,
-) Review of the annual budget (in December, for the following year) and the revised budget (in September, for the ongoing year),
-) Review of the reports of its committees,
-) Draft of the Company's governance report
-) Authorization of significant transactions.

It may therefore carry out any verifications and inspections it deems appropriate and obtain any documents it considers useful for the performance of its tasks, at any time during the year. In the framework of its monitoring of the management of the Executive board, the Supervisory board is informed by all means about the financial position, treasury, commitments of the Company and the most significant events and operations for the Company as provided by the Supervisory board internal rules. Once a quarter, the Supervisory board receives a report written by the Executive board.

The Supervisory board presents its comments on the Executive board's annual management report (the *Rapport de Gestion*) and the accounts at the General Meeting of shareholders.

The Supervisory board may give one or more of its members special powers for one or more particular purposes. The Supervisory board may decide to create specific committees and set their composition and powers; such committees carry out their work under the control of the Supervisory board, although the powers given to the Supervisory board itself by law or the By-laws may not be delegated to such committees, nor may such committees reduce or limit the powers of the Executive board.

The Supervisory board may give one or more of its members special powers for one or more particular purposes. The Supervisory board may decide to create specific committees and set their composition and powers; such committees carry out their work under the control of the Supervisory board, although the powers given to the Supervisory board itself by law or the By-laws may not be delegated to such committees, nor may such committees reduce or limit the powers of the Executive Board.

On December 14, 2016 the Supervisory board entrusted Mr. Hervé Brailly, in addition to its functions as Chairman of the Supervisory board, under Article L. 225-84 of the Code of Commerce, with a special mission, which was performed during the 2017 financial year consisting in:

-) Support the change of Company's team in 2017 and facilitate the transition;
-) Introduce Mr. Mahjoubi to the local, regional and French interlocutor (politicians, scientifics, economists) of the Company and to the key opinion leaders in the Company's fields of activities;
-) Advise the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies;
-) Continue and, as the case may be, establish some contacts required for business development activities;

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-) Help to identify new targets of acquisition (preclinical projects, companies)
-) Be involved in some financial relations activities.

The Supervisory board of December 13, 2017, upon recommendation of the Compensation committee of December 8, 2017, assessed the special mission of Hervé Brailly and, on the basis of such assessment, decided to renew such special mission for a non-renewable one-year period until December 31, 2017. Such mission consists in:

-) Advise Mondher Mahjoubi with regards to the relations with local, regional and French interlocutors (politicians, scientific, economists) of the Company and to the key opinion leaders in the Company's fields of activities;
-) Advise the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies, in addition to NK platform;
-) Continue and, as the case may be, establish some contacts required for business development activities;
-) Help to identify new targets of acquisition (preclinical projects, companies); and
-) Be involved in some financial relations activities if needed.

1.2.3.2. Meetings of the Supervisory board

The Supervisory board meets as often as is required in the interest of the Company, and at least once per quarter. Meetings are called by its Chairman or its Vice-Chairman, at the headquarters or in any other place indicated in the notice of the meeting in accordance with Article 19 of the Company by-laws. In 2017, the Supervisory board met eight times with an average attendance rate of 86%.

The Chairman of the Supervisory board must call a meeting of the Supervisory board within 15 days if one or more members of the Executive Board or one-third or more of the members of the Supervisory board present a request for him to do so. If the request remains unanswered, the members requesting the meeting may call it themselves and must provide a notice of the meeting's agenda.

The Supervisory board is not validly in session unless at least half of its members are present. Decisions are approved by a majority of the members of the Supervisory board present or represented at the meeting. Each member of the Supervisory board has one vote and cannot represent more than one fellow colleague. If there is a tie vote, the Chairman has the casting vote.

In the course of 2017 financial year, the main topics addressed by the Supervisory board were:

-) Review of business and corporate development opportunities;
-) Monitoring of clinical trials conducted in 2017 and their impact on the Company's development;
-) Acquisition of anti-C5aR from Novo Nordisk A/S and the capital increase performed to Novo Nordisk A/S benefit;
-) Monitoring of partnership agreements;
-) Research strategy and preclinical development of new drug candidates;
-) Discussion on Company's strategy;
-) Monitoring of financial communication and investor relations activities;
-) Real estate projects for new offices and laboratories;
-) Recruitment of a new Chief scientific officer and co-optation of a new member to the Supervisory board.

Executive board members, including the Chairman of the Supervisory board and the Executive committee members, attend Supervisory board meeting periodically to bring some clarifications and present to the Supervisory board the items on the agenda. During the 2017 financial year, the Executive board and committee

members left the room of the board several times to allow the Supervisory board members to discuss without executives' presence.

After the Supervisory board meetings, the minutes are drafted by a secretary appointed during the Supervisory board meeting. These draft minutes are sent to the members along with the agenda and documentation for the next meeting. They are approved and signed, if necessary after correction by the members.

1.2.3.3. Evaluation of the Supervisory board's works

In accordance with the AFEP/MEDEF recommendations, a periodic evaluation of the Supervisory board's works is conducted through a self-evaluation based on a questionnaire drawn up by the Company. The Board members have decided at the Supervisory board's meeting of December 13, 2017, to establish a self-assessment of which results have been presented and discussed during the Supervisory board meeting held on March 7, 2018 during which this report has been presented.

Such questionnaire aims at assessing the following items:

-) Functioning modalities of the Supervisory board;
-) Verify that important matters are well prepared and discussed;
-) Effective contribution of each member to the board's counsels.

1.2.4. Organization and functioning of Supervisory board governance committee

The Supervisory board committees are now composed of:

	Audit Committee	Compensation and nomination Committee	Transaction committee
Patrick Langlois⁽¹⁾	President	Member	
Irina Staatz-Granzer⁽¹⁾	Member		President
Mailys Ferrere (Bpifrance Participations)	Member		
Gilles Brisson⁽¹⁾	Member ⁽²⁾	President	
Véronique Chabernaud⁽¹⁾		Member	
Hervé Brailly		Member	Member
Marcus Schindler (Novo Nordisk A/S)			Member

(1) Independent member of the Supervisory board

(2) Audit committee member with « special financial or accounting skills » as provided under Article L. 823-19 of the Code of commerce, due to his experience in the pharmaceutical industry and the senior management positions he previously held with Rhône-Poulenc and Aventis. The Audit committee is compounded of 2/3 of independent members, as recommended by the Afep-Medef Code.

1.2.4.1. Audit committee

The Audit committee has been created by the Executive committee (when the Company was a *société par actions simplifiée*) on July 1, 2003 and confirmed by the Supervisory board on April 27, 2006.

The members of the Audit committee and their relationship with the Company, at the date of this report, are detailed in paragraph 1.2.4 above.

The Charter of the Supervisory board sets the rules relating to the composition, the organization and the role of the Audit committee.

The Chairman of the Audit committee, and the other members, all members of the Supervisory board, receive attendance fees for their participation on this committee.

In addition to the Audit committee members, representatives from the finance and internal control departments as well as the Statutory Auditors attend the Audit committee meetings.

The Audit committee meets as often as the Company's interests require, and at least twice a year, after the limited audit of the half-year accounts or the audit of the annual accounts and before the first Supervisory board meeting following the half-year and annual accounting closing dates. He hears the Company's management, the Chief Financial Officer and the Statutory Auditors. The Chief Financial Officer presents the account. In addition, a risk mapping is reviewed on a regular basis by the Audit committee. The statutory auditors present the essential points of the legal audit and accounting options adopted. When appropriate, the Audit committee may use the services of an external expert. The main missions of the Audit committee are the following of the legal control of the half-year and annual accounts, evaluation of internal control practices, risk analysis, the monitoring of the process for drawing up the financial information published by the Company and consistency checking and, the assessment of whether it would be opportune to make any changes to the accounting methods, the review of the Statutory Auditors' conclusions, the choice of Statutory Auditors (at the end of their term), their fees, and a review of their independence and the approval of the services other than the account certification described under the Audit committee charter. The committee reviews and approves the report from the Chairman of the Supervisory board on the internal control. The question of internal control is a recurrent item in the agenda of the Audit committee.

During the 2016 fiscal year, the main issues dealt with by the Audit committee were:

-) Review of the financial reports presented by management,
-) Auditors' presentation regarding the legal audit and the accounting options adopted,
-) Accounting treatment of anti-C5aR acquisition;
-) Impact of IFRS 9, 15 and 16 regulations;
-) Regularization of holdbacks relating to anti-NKG2A acquisition;
-) Review of financing and new building;
-) Impact of audit reform on the Company and actions to be put in place (notably Audit committee charter);
-) Review of the budget process, and
-) Review of the risk mapping;
-) Review of the cash management.

The Audit committee reports to the next Supervisory board and, depending on the case, minutes are sent to the members of the Supervisory board, along with other documentation for the Supervisory board meeting following the Audit committee meeting. A member of the Audit committee also intervenes during the Supervisory board meeting in order to report on the principal conclusions of the Audit committee.

The financial reports and the agenda are sent to the members of the Audit committee one week before the meeting. At the end of the committee meeting, a session takes place between the members of the Audit committee and the Auditors.

In 2017, the Audit committee met four times with an average rate of attendance of 85%.

1.2.4.2. Compensation and nomination committee

The Compensation and nomination committee was created by the Management committee (when the Company was a *société par actions simplifiée*) on January 17, 2001 and confirmed by the Supervisory committee on April 27, 2006.

The Compensation and nomination committee members and their relationship with the Company, at the date of this report, are detailed in paragraph 1.2.4 above.

Given its size, resources and business, the Company does not believe that a nomination committee separate from the compensation committee is necessary.

The main missions of the Compensation and nomination committee are: the review of the Company's remuneration policy, in particular the evolution of the payroll, the description of the collective objectives (for the whole company) and individual objectives (for members of the Executive Board and the Executive committee), the compensation of the members of the Executive Board and the Executive committee and the policy concerning the distribution of tools equity such as warrants, stock-options, free shares and capital increase reserved for members of the Company savings plan.

The Compensation and nomination committee meets as often as required and at least once a year. The Committee reports to the next Supervisory board and, depending on the case, minutes of its meetings are sent to the members of the Supervisory board under the meeting of the Supervisory board following the meeting of the Compensation and nomination committee.

In 2017, the key tasks of the Compensation and nomination committee were as follows:

-)] Organizing the recruitment of new Supervisory board members and key employees;
-)] Review the independence of each Supervisory board members and their relationships with the Company to verify that there is no conflict of interest and be sure their independence is not threatened;
-)] Make recommendations on the compensation policy of the executive and supervisory bodies to be submitted to the Annual general meeting vote ("say on pay ex ante" vote);
-)] Start reflecting on the succession plan of Executive board and committee members;
-)] Submit salary increases for the Executive board and committee members;
-)] Determine the collective objectives of the Company and the individual objectives of the Executive board and committee members and make suggestions on the corresponding bonus;
-)] Assess the achievement of the objectives and, on this basis, make recommendations on the amount of the collective and individual bonus to be definitely attributed each year to the Executive board and committee members;
-)] Make recommendations on the compensation policy of the Company for the other employees;
-)] Make recommendation on the allocation of fees to the independent Supervisory board members;
-)] Assess the special mission of the Chairman of the Supervisory board performed in 2017 and make recommendations on its renewal; and
-)] Make recommendations to the Executive board on the allocation of equity instruments decided or authorized by the General meetings.

In 2017, the Compensation and nomination committee met six times with an average attendance rate of 92%.

1.2.4.3. Transaction committee

A Transaction committee was created by the Supervisory board on September 21, 2007.

The primary responsibility of the Transaction committee is to examine, with the Company and its investments bankers or consultants, the business and corporate development opportunities that the Company could be considering (these strategic opportunities may include the acquisition of rights on products or the acquisition of other companies as well as out-licensing opportunities), and to this end it has to:

-)] Analyse the fundamentals of the products and/or companies targeted by the Company, notably in relation to the Company's own fundamentals,
-)] Analyse the feasibility of a transaction, and

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-) If need be, participate in the process of selecting and defining the missions for the Company's investment bankers and/or consultants.

The Committee reports to the next Supervisory board and, depending on the case, minutes of its meetings are sent to the members of the Supervisory board, under the meeting of the Supervisory Board following the meeting of the Transaction committee. The frequency and contents of the meetings depend on operations of development engaged by the Company.

The main item discussed by the Transaction committee during the 2017 financial year was the acquisition of C5aR from Novo Nordisk A/S.

During the 2017 financial year the Transaction committee met twice with 67% of presence average rate.

1.2.5. Organization and functioning of the Strategic advisory board

In April 2018, the Company has decided to replace the Scientific Advisory board by a Strategic Advisory board, composed with six external consultants coming from the scientific and medical fields. The Strategic Advisory board will first meet in September 2018.

At the date of this Reference document, the Strategic Advisory board members are in the selection process.

The Strategic Advisory board missions will notably be to analyse the research and development programs of the Company.

The Strategic Advisory board members will be remunerated with attendance fees depending on their presence to the Strategic Advisory board meetings.

The internal rules of the Supervisory board will be modified to describe the rules of functioning of the Strategic Advisory board

1.3. ORGANIZATION AND FUNCTIONING OF THE EXECUTIVE BOARD AND EXECUTIVE COMMITTEE

1.3.1 Executive board

1.3.1.4 Composition of the Executive board

The Company is managed by an Executive Board composed by a minimum of two members and a maximum of five, who perform their duties under the control of a Supervisory board. Under current law, the age limit for being a member of the Executive Board is 65. The mandate of any Executive Board member who reaches this legal age limit is terminated immediately and the Executive Board member is considered to have resigned its position.

The Executive Board of Innate Pharma is composed of four members appointed for a renewable term of three years.

In 2017, the Executive board was composed of three members, appointed for a renewable three-year period:

-) Mondher Mahjoubi, Chairman of the Executive board;
-) Yannis Morel; and
-) Nicolai Wagtmann.

On June 23, 2017, Nicolai Wagtmann left Innate Pharma for personal reasons and follows a career in the US.

Since Nicolai Wagtmann's departure, the Supervisory Board has worked on the solution to be implemented to deal with such departure. Thus, Yannis Morel partially took over the function previously performed by Nicolai Wagtmann as Chief Scientific Officer. At that date, the Supervisory board members are actively working on the appointment of a new Executive board member.

1.3.1.5 Nomination and renewing of the Executive board

The members of the Executive Board are appointed, in accordance with the law, by the Supervisory board, which appoints one of them as the Chairman and establishes the method and amount of their compensation when they are appointed. While members of the Executive Board are not required to be shareholders, they must be individuals. In compliance with the By-laws of the Company, they may also be revoked individually by the Supervisory board.

If one of the seats of the Executive Board becomes vacant, the Supervisory board must fill it within two months. The member of the Executive Board appointed as a substitute remains in office for the duration of his predecessor's mandate.

1.3.1.6 Executive board meetings

The Executive Board is not validly in session unless at least half of its members are present. Any member of the Executive Board may send a representative or attend meetings by video conference or by any other means of telecommunication. No member of the Executive Board may hold more than one proxy. The decisions of the Executive Board are approved by a majority of the votes present and represented.

In 2076, the Executive Board met 14 times with an average attendance rate of 100%.

Since the beginning of 2018, the Executive Board has met three times with an average attendance rate of 100%.

1.3.1.7 Executive board missions

The Executive Board is responsible for the management of the Company that it represents. The Supervisory board exercises permanent control over the Company's management. The members of the Executive Board meet as often as required in the interest of the Company, but at least once a quarter, as called for by the Chairman or a member of the Executive Board appointed for this purpose. The meetings of the Executive Board are chaired by the Chairman of the Executive Board. In his absence, the Executive Board appoints a Chairman for a particular meeting.

The Executive Board has the widest powers to act on behalf of the Company in accordance with the corporate purpose and within the limits of the powers expressly attributed by the law to the Supervisory board and to meetings of shareholders and defined in the Company By-laws, which are regularly updated. The Executive Board also exercises its power subject to any restriction of power set by the Supervisory board. The Company By-laws and the Supervisory board internal rules do not mention any limitation to the Executive Board's powers. The members of the Executive Board are kept informed on a daily basis of any subject related to their specific area of competence.

Therefore, the Executive Board may not make any decisions about the sale of real estate property, the total or partial sale of holdings, granting securities, pledges, warrants and guarantees, without the approval of the Supervisory board.

1.3.1.8 Chairman of the Executive board

The Chairman of the Executive Board represents the Company in its relations with third parties. The Supervisory board may also assign this power of representation to one or more other members of the Executive Board; such persons then have the title of "Managing Director".

The Executive Board is notably empowered for determining, implementing and controlling the Company's strategy, for implementing the commercial and financial orientations in relation to operational actors, for nominating key personnel, as well as for the external communication and general policy of the Company.

If so authorized by the Supervisory board, the members of the Executive Board may divide management tasks among themselves. However, this division may under no circumstances result in the Executive Board losing its shared responsibility for managing the Company.

1.3.1.9 Conflict of interest

There are no family ties between the members of the Executive Board and the Executive committee, either between themselves or with any member of the Supervisory board, the Audit, Compensation and Nominations or the Transaction committees, or the Scientific advisory board.

1.3.2 Executive committee

The Company's Executive committee is composed of members with significant experience in strategy, financial management, research and development project management, the negotiation of industrial and commercial agreements in the field of innovative companies in general and in biotechnology in particular. The Executive committee meets at least once a month and deals with all subject regarding the activities and the management of the Company.

The Senior VP, Chief Scientific Officer, attends, as guest, all the Executive committee meetings.

There are no service contracts between members of the Executive committee and the Company or its subsidiaries.

There are no family ties between the members of the Executive committee, either with any member of the Supervisory board, the Audit, Compensation and Nominations or the Transaction committees, or the Scientific advisory board.

1.4. PARTICIPATION OF THE SHAREHOLDERS TO THE ANNUAL GENERAL MEETINGS

The last annual General Meeting of shareholders was held on June 23, 2017 at the Company's head office, in accordance with the Company by-laws. Shareholders (present or represented) represented 38.517% of the capital and voting rights of the Company. Shareholders were offered the choice to vote by mail, to give a proxy to the Chairman of the meeting or to attend to the meeting.

Modalities of attendance to the General Meetings for the shareholders are detailed under articles 26 to 34 of the Company's by-laws.

1.5. AGREEMENTS SIGNED BETWEEN AN EXECUTIVE DIRECTOR OR A SIGNIFICANT SHAREHOLDER AND A SUBSIDIARY

During the 2017 financial year, agreements subject to last paragraph of article L. 225-102-1 were concluded with Novo Nordisk A/S, shareholder holding more than 10% of the share capital of the Company, and with Hervé Brailly, Chairman of the Supervisory board.

The agreements with Novo Nordisk A/S were concluded in relation with the capital increase by contribution in kind of NN C5aR and are described under the list of regulated agreements attached as Annex A.

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

1.6. ELEMENTS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

On the date of this report:

) Structure of the Share capital

The structure of the Company's share capital as of January 31, 2018 is described in Chapter 5 of the Management Report.

) Control of the Company and equity interests in the Company

The Company does not have any shareholder who can exercise individual control over it. Its largest shareholder, Novo Nordisk A/S, holds 15.47% of the share capital as of January 31, 2018.

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

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

) Shareholders' agreements

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

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

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

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

There are no Company securities granting special control rights.

) Shareholder system for personnel

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

) Appointment and replacement of the Supervisory and Executive boards members and amendment of the by-laws.

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

) Executive board power for issuance and buy-back of shares

With regard to issuance and buy-back of shares, the Executive board has notably the powers of common law. A description of the delegations of power granted to the Executive board by the General Meeting currently in effect and their use appear in paragraph 1.8 above. Furthermore, the description of the authorization given to the Executive board by the general meeting to manage Company shares appears in Chapter 5 of this report.

) Change of control clauses

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

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

Other than the legal and regulatory provisions applicable and what is described in paragraph 1.7 below, no member of the Executive board or Company employee has any agreement specifying compensation in the event of resignation or layoff without genuine and serious cause if their employment is terminated as a result of a public offering.

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

1.7. TABLE OF RECOMMENDATIONS OF AFEP/MEDEF CODE NOT FOLLOWED BY THE COMPANY

AFEP MEDEF Code	NON COMPLIANCE	EXPLANATIONS
The Code recommends that a board member shall not hold more than four other mandates in listed companies (§ 18.4).	Maily Ferrere, permanent representative of Bpifrance Participations, holds more than four other mandates in listed companies.	It's within the scope of duties of Maily Ferrere, as Director of the Investment Large Venture at Bpifrance Participations to exercise non-executives mandates within boards or supervisory board of listed companies.
The Code recommends that all members of the Audit committee must get financial and accounting expertise (§ 1.5.1).	The Rules of Procedure of the Supervisory board, in accordance with Article L.823-19 of the Code of Commerce, provides only one member of the Audit committee should present financial and accounting skills.	The rules of procedure are consistent with the law and the size, resources and accounting issues of the Company. In any event, Mr. Brailly, Brisson, Langlois and Mrs. Irina Staatz-Granzer have, in terms of their career, the skills required.
The code recommends the renewal of members of the Supervisory board for each. (§ 13).	The mandates of the members of the Supervisory board are renewed at the same time and not in phases.	This choice is explained by the short duration of the mandates (two years), which allows for a renewal of the composition of the Company's Supervisory board on a regular basis and so, in the Company's view, achieves the intended purpose.
The code recommends that the nominations committee designs a plan for replacement of executive directors in the event of unforeseeable vacancy (§16.2.2).	The Compensation committee has not yet decided on this issue.	Under the Company's by-laws, in the event of vacancy of the Executive board members, the Supervisory Council must make an appointment to fill the post within two months.
The Code recommends that the fixed remuneration of the executive directors shall be reconsidered at relatively long intervals, for example three years (§24.3.1)	The reference base wage of the members of the Executive Board and of the other members of the Executive committee is fixed annually by the Supervisory board on the basis of a recommendation from the Compensation and nomination committee.	The Company complies with Article L. 225-82-2 of the Code of Commerce (Law n°2016-1691, dated December 9, 2016 relating to the transparency, the fight against corruption and the modernization of the economic life), which provides

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for two shareholders' votes:

An "ex ante" vote on the "principles and criteria of determination, allocation and distribution of fixed, variable and exceptional components of the total compensation and the benefits of all kinds" allocated to the corporate officers; and

An "ex post" vote on the "fixed, variable and exceptional components of the total compensation and the benefits of all kinds paid or allocated under the previous financial year".

1.8. AUTHORIZATION FOR CAPITAL INCREASES

At the date of this report, the Executive board had the following financial authorizations upon delegation of the general meetings:

Delegations of authority granted to the Executive board by the General Meeting	Duration of delegation	Terms of the delegation	Use during the 2017 fiscal year
General Meeting of June 2, 2016			
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, with shareholders' preferential subscription rights⁽¹⁾ (Resolution 12)	26 months August 2, 2018	Maximum amount: €672,958 ⁽²⁾	N/A
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, without shareholders' preferential subscription rights⁽¹⁾ (Resolution 13)	26 months August 2, 2018	Maximum amount: €672,958 ⁽²⁾ Issuance price: is at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%	N/A
Issuance of ordinary Company shares and/or securities giving access to the Company's share capital, without shareholders' preferential subscription rights to the benefit of qualified investors or a restricted circle of investors (item II of Article L.411-2 of the French Monetary and Financial Code) (Resolution 14)	26 months August 2, 2018	Maximum amount: €538,367 ⁽²⁾ Issuance price: at least equal to the volume-weighted average of the closing prices of the share during the last three stock market trading days preceding the date upon which the issuance price is set, optionally minus a maximum discount of 5%	N/A
Issuance of ordinary Company shares and securities giving access to the Company's share capital, as remuneration for contributions in kind comprising equity securities or securities giving access to the share capital ⁽¹⁾ (Resolution 17)	26 months August 2, 2018	Maximum amount: 10% of the Company's share capital on the issuance date ⁽²⁾	On July 13, 2017, contribution by Novo Nordisk A/S of 100% of the share capital and voting rights of NN C5aR as contribution for the issuance of 3,343,748 new shares, <i>i.e.</i> a capital increase of

			€167,187.40(3)
Issuance of ordinary shares and securities giving access to the Company's share capital, in the event of a public exchange offer initiated by the Company ⁽¹⁾ (Resolution 18)	26 months August 2, 2018	Maximum amount: €672,958 ⁽²⁾	N/A
Issuance of autonomous equity warrants reserved for any individual or legal entity that is a member of the Supervisory board or a consultant of the Company without shareholders' preferential subscription rights ⁽¹⁾ (Resolution 20)	18 months December 2, 2017	Maximum amount: €7,500 The share subscription price will be at least equal to the average of the closing prices of the share during the last ten stock market trading days preceding the time of allocation of the equity warrants, optionally minus a maximum discount of 10%, being specified that the grant price will be 10% of the exercise price so determined and that the amount paid at subscription will be deducted from the price due under the exercise.	Subscription of 37,000 BSA recorded by the Executive board of December 7, 2017, following the Executive board decision dated September 20, 2017 to attribute 40,000 BSA to the independent members of the Supervisory board, who were newly renewed or appointed, upon recommendation of the Compensation and nomination committee of June 23, 2017. ⁽⁴⁾
Issuance of ordinary shares and/or securities giving access to the Company's share capital for the benefit of the members of a company savings plan. ⁽⁵⁾ AGM ruling in 2019 on 2018 accounts 26)	26 months August 2, 2018	Maximum amount: €10 000 The subscription price for the new shares will be equal to 80% of the average for the first prices quoted for the Company share traded during the twenty stock market sessions preceding the day of the decision setting the opening date for the subscription when the duration of unavailability provided under the plan is less than ten years, and 70% of this average when said period of unavailability is greater or equal to ten years.	N/A
General Meeting of Jun 23, 2017			
Issuance of free shares to the benefit of new Executive committee members (employees and/or corporate officers) of the Company or its subsidiaries as	38 months August 23, 2020	Maximum amount: €2,500 (<i>i.e.</i> 50,000 free shares of €0.05 nominal value).	N/A

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provided under articles L 225-197-1 et. Seq. of the Code of Commerce (Resolution 26)

Issuance of free shares to the benefit of Executive committee members (employees and/or corporate officers) of the Company or its subsidiaries under their annual variable compensation as provided under articles L 225-197-1 et. Seq. of the Code of Commerce (Resolution 27)	38 months August 23, 2020	Maximum amount: €2,500 (<i>i.e.</i> 50,000 free shares of €0.05 nominal value).	1,248.95 ⁽⁶⁾
Issuance of free shares to the benefit of employees of the Company or its subsidiaries as provided under articles L 225-197-1 et. Seq. of the Code of Commerce (Resolution 28)	38 months August 23, 2020	Maximum amount: €10,000 (<i>i.e.</i> 200,000 free shares of €0,05 nominal value)	€5,725 ⁽⁷⁾
Issuance of preferred shares convertible into ordinary shares of the Company to the benefit of corporate officers, Executive committee members (employees and/or corporate officers) of the Company or its subsidiaries as provided under articles L 225-197-1 et. Seq. of the Code of Commerce (Resolution 30)	38 months August 23, 2020	Maximum amount of the capital increase resulting from the definitive acquisition of preferred shares: €200 (4,000 free preferred shares with a nominal value of €0,05) Number of ordinary shares that may result from the conversion of preferred shares issued under this authorization: 400,000 ordinary shares, maximum capital increase of €20,000	€120 ⁽⁸⁾
Issuance of preferred shares convertible into ordinary shares of the Company to the benefit of Company's employees as provided under articles L 225-197-1 et. Seq. of the Code of Commerce (Resolution 31)	38 months August 23, 2020	Maximum amount of the capital increase resulting from the definitive acquisition of preferred shares: €425 (8,500 free preferred shares with a nominal value of €0,05) Number of ordinary shares that may result from the conversion of preferred shares issued under this authorization: 850,000 ordinary shares, maximum capital increase of €42,500	€286,25 ⁽⁹⁾

(1) Except preferred shares and securities giving right to preferred shares

(2) This amount is to be counted within the overall cap of €672,958 stipulated by the 19th resolution of the General Meeting held on June 2, 2016. This overall cap does not take account of adjustments liable to be made in accordance with applicable legislative and regulatory provisions or contractual terms stipulating other cases of adjustment to maintain the rights of the holders of securities or other rights giving access to the share capital

(3) See 5.4 of the Management Report describing the contribution in kind

(4) See 2.2.2.2 of this Report

(5) Use by the Executive board of September 20, 2017

(6) Use by the Executive board of April 3, 2018

(7) Use by the Executive board of April 3, 2018

(8) Use by the Executive board of April 3, 2018

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Chapitre 2. COMPENSATION OF THE CORPORATE OFFICERS

2.1. PRINCIPLES AND CRITERIA OF DETERMINATION, ALLOCATION AND ATTRIBUTION OF THE COMPENSATION (« EX ANTE VOTE »)

In accordance with articles L. 225-82-2 and L. 225-68 of the Code of commerce, as modified by articles 4 and 5 and with Law 2016-1691 dated December 9 2016, named "Sapin II" Law, which established an "ex ante" mandatory vote, the following paragraphs present the general principles of the compensation policy for the Supervisory and Executive board members the 2018 fiscal year.

This principles and criteria will be submitted to the approval of the shareholders at the next General Meeting, on May 29, 2018, deciding on the accounts for the 2017 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

2.1.1 Executive board members compensation

The Executive board members compensation is decided by the Supervisory board upon recommendation of the Compensation and nomination committee. For the 2018 fiscal year, the compensation has been fixed according to the same general principles and composed of the same components than those applicable during the 2017 fiscal year, which are those described in this section.

The compensation of the Chairman of the Executive board is paid under his social mandate and he's not bound to the Company by an employment contract. The other Executive board members are remunerated under their employment contract and are not remunerated under their social mandate.

The compensation of the Executive board members is determined according to the Company's strategy and growth. It takes into consideration the Executive board members individual contribution in the achievement of the collective performance objectives and aims at aligning the corporate officer's long-term interests with the interests of the Company, the shareholders and the other stakeholders. For this, the variable components of the compensation are subject to the achievement of short-term operational performance objectives and long-term stock market performance. The compensation of the Executive board members is determined in relation with the existing compensation policies in companies with similar size and maturity in the biotechnology sector in France, in Europe and in the US, notably on the basis of an internal survey conducted by the Company within the Peer Group⁽⁵⁾.

The compensation of the Executive board members is made of the following components:

-)] a **short-term component** including:
 - o a fixed compensation, which reflects its responsibility, its level of experience and its skills; and
 - o a variable compensation remunerating the individual contribution to the annual collective performance, paid in cash. As from the 2017 fiscal year, a part could be paid in free shares to interest the Executive board members to the long-term value creation of the Company and encourage them, through the ownership of shares, to efficiently contribute to such value creation (see 2.1.1.2).
-)] a **long-term incentive or LTI**: free preferred shares attribution (AGAP), which interest the Executive board members to the long-term results of the Company, retain them and align their interests on the shareholders' interests; and

⁵ See "Definitions"

-) **other benefits** attached to the exercise of the Executive board members including a supplementary pension plan, in-kind benefits and an unemployment insurance (GSC) for the Chairman of the Executive board.

Due to the high variability of the AGAP valuation: decrease by 80% of the AGAP valuation between the date of the Extraordinary General Meeting authorizing such instrument on June 23, 2017 (€400) and their attribution date on April 3, 2018 (€90), the number of AGAP attributed in 2018 for 2017 to the Executive board members has been calculated in volume and not in percentage of the global compensation.

Therefore, showing the proportion of each compensation component within the global compensation of the Executive board members (as it was showed in our 2017 Compensation report), is not relevant under the 2018 compensation policy of the Executive board members.

2.1.1.1 Fixed compensation

The fixed compensation is determined on the basis of the general principles applicable to the Company's compensation policy and consistent with the Peer Group compensation.

The fixed compensation is also used as basis to determine the annual variable compensation of the Executive board members.

For the 2018 fiscal year, the annual fixed compensation of the Executive board members is:

	2018 Fixed compensation	Evolution between 2016 and 2017
Chairman of the Executive board Mondher Mahjoubi	470,000	0%
Executive board member « Product portfolio strategy & Business development» Yanniss Morel	216,000	+20%

The compensation of the current Chairman of the Executive board has been assessed at the time of his appointment on December 14, 2016 and evaluated according to standard market practices in comparable companies (Peer Group) and with respect to his previous compensation at AstraZeneca. It takes into account his specific expertise, coming from his experience in leading late stage development programs until the commercialization stage, into international pharmaceutical groups. As leader of the oncology area at AstraZeneca, Mondher Mahjoubi notably contributed to build the medico-marketing and commercial teams, significantly develop the oncology products pipeline and set up a leadership and differentiation strategy, which lead to the commercialization of two therapeutics innovations (Lynparza© and Tagrisso©) and to prepare the commercialization of their anti(PD-L1(Imfimiz©) for the advanced bladder cancers. It is noted that by choosing to leave his function at AstraZeneca to become Chairman of the Executive board of the Company, Mondher Mahjoubi has seen his compensation reduced by about (i) 15% regarding his fixed compensation, (ii) 20% regarding his variable compensation and (iii) 40% regarding its long-term compensation.

The Chairman compensation is also fixed with regards to the compensation practices within the Peer Group, as published in their public reports.

It results from this internal survey that the fixed compensation of the Chairman is in the upper range of the average fixed compensation within the Peer Group but in the lower range regarding his global compensation (fixed, variable and LTI).

The table below shows the fixed and annual variable compensation of Mondher Mahjoubi for 2018 against the mean and the median of the fixed and annual variable compensation of the Chairman of the Executive board (or their equivalent) of the Peer Group.

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Chairman of Innate Pharma's Executive board		Peer Group ⁽¹⁾	
Maximum global compensation for 2018	Median	Average	Min. and Max. compensation
€815,000	€1,272,114	€1,859,871	€509,891 –€6,865,595

(1) One of the Peer Group Company granted to his CEO an exceptional compensation in 2016.

During the 2017 fiscal year, the only fixed compensation increased was the one of the Executive board member in charge with the "Product portfolio strategy & Business development" to take into his new responsibilities arising from his new attributions (supervision of the portfolio strategy within the growth context of such portfolio in clinical and preclinical and management of the new programs directors team).

For 2018, the Supervisory board, upon recommendation of the Compensation and nomination committee, does not intend to modify the fixed compensation of the Executive board members.

However, with regards to the actual context of growth of the Company and its fast development, the Supervisory board wishes to keep such flexibility in the evolution of the fixed compensation of the Executive board members in accordance with the above described principles and with respect to the growth context of the Company and its performance.

2.1.1.2 Annual variable compensation

(i) Principles of determination

At the beginning of the year, the Supervisory board decides on, upon recommendation of the Compensation and nomination committee, the part of the annual variable compensation, expressed as a percentage of the fixed compensation and the individual objectives to be achieved as well as their weights.

For 2018 fiscal year, the Supervisory board, upon recommendation of the Compensation and nomination committee has decided not to modify the proportion of the Executive board members annual variable compensation.

Since 2017 fiscal year, the annual objectives are divided into four key priorities shared between all the Company's members and defined as the basis for a sustainable growth. They help aligning the Executive board members interests with those of the Company and are defined as follows:

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

Within the key priorities, the Supervisory board, upon recommendation of the Compensation and nomination committee, determines the individual contribution of each Executive board member to the collective performance as well as their weights.

At the end of the year (or at the beginning of the following year), the Supervisory board, upon recommendation of the Compensation and nomination committee, determines the level of achievement of the individual objectives of the Executive board members. In case of achievement of 100% of the objectives, 100% of the corresponding bonus is paid. In the event that 100% of the objectives are not achieved, the percentage of the bonus paid is in proportion to the percentage of the objectives achieved. In the event of performance beyond expectations, as observed by the Compensation and nomination committee, it may be decided to raise the bonus amount beyond 100%, within the limit of 125%. Moreover, in the event of an obviously exceptional

performance, whose achievement could not have been taken into account in the definition of the objectives, the Compensation and nomination committee may propose payment of an exceptional bonus.

-) For the 2018 fiscal year, the individual variable compensation of the Executive board members could represent, at the maximum, the following percentages and the following amounts of their fixed compensation:

Executive board members	Maximum compensation			
	Maximum percentage of the fixed remuneration if:		Maximum amount of variable compensation (in euros) if:	
	100% objectives are reached	Over performance	100% objectives are reached	Over performance
Chairman	60%	75%	€282,000	€352,500
Executive board member « Product portfolio strategy & Business development»	30%	37.5%	€59,400	€74,250

The Compensation and nomination committee, on January 30, 2018 determined the individual contribution of each Executive board member and its weight within the four key priorities mentioned above.

The objectives defined by the Compensation and nomination committee for each member of the Executive board are operational objectives, adapted to the context of strong growth and development of the Company and mainly based on the scientific leadership through the implementation of clinical programs and the development of a product portfolio.

The Compensation and nomination committee choose to use operational performance criteria to fix the annual performance objectives. Such operational criteria are in relation with the implementation of the Company's strategic plan and allow notably assessing the Company's performance within the achievement of the steps planned under such strategic plan. The long-term performance objectives used for the long-term compensation (see 2.1.1.3 are backed to stock market criteria to align the Executive board members interests with the shareholders' interests and considering that the intrinsic stock market performance of the Company is mainly due, on long-term, to the development of its pipeline of drug candidates. Besides, the Company's current business model (no recurrent income) does not allow a performance assessment through financial criteria such as the growth of income, the results or the margin.

The performance criteria used to assess the scientific and medical leadership (70% of the annual objectives) are mainly measurable (6 criteria over 8). The performance criteria used for the three other key priorities (30% of the annual objectives) are measurable and qualitative (5 measurable criteria and 8 qualitative criteria).

The targets of each criterion, notably the criteria relating to scientific leadership cannot be fully disclosed for strategic and confidential purposes.

2018 objectives

The table below shows the performance criteria determined for each key priority and the internal measures, which will be used by the Compensation and nomination committee at the end of the year (or at the beginning of the following year), to assess the level of achievement of each criterion.

Objectives and performance criteria	Measures of the criteria
Scientific and medical leadership 70%	
- Progress and diversification of the preclinical pipeline	- Achievement of a number of target projects reaching development milestones, identification of the best targets for the development of Innate's own potential technologies and development of some projects
- Progress of the clinical pipeline	- Achievement of clinical objectives defined under the strategic plan
- Partnerships	- Conclusion of a target number of partnerships
Financial discipline 15%	
- Compliance with the budget	- Budget targets as defined under the strategic plan
Organization readiness 7,5%	
- Management of a « talent pool » within the Company	- Identification of a « talent pool » and start of the development programs, including management trainings
- Secure key positions	- Collaboration with the Compensation and nomination committee members to set up a succession plan
Great place to work 7,5%	
- Improve working conditions	- Implementation of new working conditions in 2018
- Roll out the internal communication plan	- Achievement of the steps to implement the plan
- Apply for a label rewarding the work environment quality	- Obtaining a target percentage of satisfaction under an internal survey conducted with the employees

Individual contribution of the Executive board members for 2018

Objectives and performance criteria	Mondher Mahjoubi	Yannis Morel
Scientific and medical leadership		
- Progress and diversification of the preclinical pipeline	40%	35%
- Progress of the clinical pipeline	30%	30%
- Partnerships		5%
Financial discipline		
- Compliance with the budget	15%	15%
Organization readiness		
- Management of a « talent pool » within the Company	7,5%	7,5%
- Secure key positions		
Great place to work		
- Improve working conditions	7,5%	7,5%
- Roll out the internal communication plan		
- Apply for a label rewarding the work environment quality		

(ii) Payment terms

Since 2017 fiscal year, with a view of interesting the Executive board members to the Company's long-term creation value and encourage them, through the ownership of shares, to efficiently contribute to such value creation, the annual variable compensation may be composed of one part paid in cash and of another part paid in free shares.

Each executive board member can opt for the payment of one part of its annual variable compensation in free shares. The free shares will be attributed by the Executive board, upon recommendation of the Compensation committee, after the Annual General meeting, according to the part of the annual variable compensation paid in free shares. Under option of the Executive board member, 50% of the annual variable compensation is paid in free shares and such percentage will be increased by a 30% premium of the annual variable compensation paid in free shares in order to encourage such term of payment and compensate the absence of cash payment for the Executive board members.

The number of free shares attributed will be determined according to their value in euros calculated on the weighted average of the last twenty stock market prices preceding the attribution.

Then, immediately after the determination, by the Supervisory board, upon recommendation of the Compensation and nomination committee, at the end of the year (or at the beginning of the following year) of the level of achievement of the objectives defined at the beginning of the year for the annual variable compensation in cash and the part of the annual variable compensation in free shares, will decide, for each Executive board member, on the number of free shares, which could be definitely acquired by the latter at the end of the acquisition period (one year following the attribution date) depending on the achievement of the objectives and subject to the vote in favour by the Annual general meeting under the vote on the variable components of the compensation to be paid for the previous fiscal year. The number of AGA Bonus definitely attributed is determined with regards to their value on the attribution date (weighted average of the twenty days of trading preceding the attribution).

The free shares attributed (which will be Company's ordinary shares) will be subject, as provided by law, to a one-year acquisition period followed by a one-year retention period. The presence condition shall be observed over the same period than the annual performance.

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The attribution of free shares is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares.

In accordance with Article L. 225-100 of the Code of commerce, the annual variable compensation for 2018 fiscal year, will only be paid after having received the favourable ex post vote of the simple majority of the shareholders presents or represented at the 2019 annual general meeting voting on the 2018 accounts.

The scheme below shows the attribution and acquisition process of the free shares attributed under the annual variable compensation:



2.1.1.3 Long-term incentive

To tie Executive board members to the Company's pluriannual performance, the Supervisory board (upon recommendation of the Compensation and nomination committee), suggested, subject to the vote in favour of the Annual General meeting of May 29, 2018, to attribute performance free shares to the Executive board members (the "Performance Free Shares").

The Performance Free Shares are free shares attributed under articles L. 225-197-1 et. seq. of the Code of commerce, of which definitive acquisition, at the end of a three-year period, is subject to a presence condition and to performance conditions.

The number of Performance Free Shares attributed to each Executive board member and the performance conditions are determined by the Supervisory board (upon recommendation of the Compensation and nomination committee) before the Annual General Meeting authorizing such instrument.

Therefore, for 2018, a resolution on the Performance Free Shares of which performance conditions are based on the stock market value growth and benefit from a "vesting kicker" triggered by the achievement of an internal condition, will be submitted to the Annual General Meeting.

The level of achievement of the stock market value condition shall depend on the Final Price, meaning the highest average closing price of Innate Pharma share on Euronext Paris for sixty consecutive trading days calculated at any time during the twelve months prior to the definitive acquisition of the Performance Free Shares against the Initial Price, meaning the average closing price of the Innate Pharma shares on Euronext Paris for the sixty trading days prior to the Annual General Meeting of May 29, 2019.

The internal condition shall be deemed achieved if, over the three-year acquisition period of the Performance Free Shares, a program of the Company's pipeline obtains a positive pivotal trial in the achievement of the primary criteria of efficiency predetermined over the three-year period of.

The percentage of Performance Free Shares attributed, which will be definitely acquired will be determined as follows:

- (a) 0% if the Final Price is lower than the Initial Price
- (b) Between 0% and 100% linearly if the Final Price is comprised between the Initial Price and three times the Initial Price
- (c) 100% if the Final Price is equal or above three times the Initial Price;

In case of achievement of the internal condition, half of the Performance Free Shares attributed will be automatically acquired (Vesting kicker) and the percentage of the other half of Performance Free Shares attributed that will be definitely acquired will be determined as explained above.

However, if between the date of definition of the Initial Price and the date of definition of the Final Price and the date of the definitive acquisition of the Performance Free Shares, one of the Reference Indexes (as defined

below) were to experience a Significant Variation (as defined below), then the Executive Board will have the possibility to adjust the Initial Price and/or the Final Price to neutralize the exogenous impact of such a Significant Variation. The Executive Board shall, in this case, name a recognized independent expert to assist the Executive Board in the determination of such adjustments. The terms "Reference Indexes" mean the following stock market indexes: SBF 120, CAC 40, Next Biotech and NBI (NASDAQ Biotechnology Index). If one of these indexes were to be no longer available, the Executive Board can choose a replacement index.

The terms "Significant Variation" mean one or the other of the following events for the relevant index: the average of the closing value for the index over the sixty consecutive trading days prior to the Expiry Date of the Retention Period (or, as the case may be, the Modified Expiry Date of the Retention Period) is inferior or equal to 90% of the average of the closing value for the index over the sixty consecutive trading days prior to the Annual General Meeting of May 29, 2018/; the average of the closing value for the index over a sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 29, 2018 and the definitive acquisition date of the Performance Free Shares, is inferior or equal to 80% of the average of the closing value for the index over another sixty consecutive trading days period at any time between the date of the Annual General Meeting of May 29, 2018 and the definitive acquisition date of the Performance Free Shares.

The attribution of Performance Free Shares is subject, in addition to the vote provided under article L. 225-82-2 of the Code of commerce, to the shareholder's approval, at the vote conditions of the extraordinary general meetings, of resolutions allowing the creation and attribution of Performance Free Shares. Subject to the adoption of such resolution, the Executive board may, upon recommendation of the Compensation and nomination committee and approval from the Supervisory board, the Executive board may attribute Performance Free Shares to the Executive board members.

For 2018, the Supervisory board (upon recommendation of the Compensation and nomination committee held on March 30, 2018) suggested to attribute the following number of Performance Free Shares to the Executive board members (same than in 2017):

-) 70,000 Performance Free Shares to the Chairman of the Executive board
-) 50,000 Performance Free Shares to each other member of the Executive board.

2.1.1.4 Other benefits

The Executive board members benefit from the following social benefits and benefits in kind:

-) Company vehicle;
-) Supplemental health insurance, subscribed with AG2r Prémalliance, which terms and conditions are identical to the Company's employees (two different types of contributions depending on the family status);
-) Collective provision contract, subscribed with AG2r Prémalliance, which terms and conditions are identical to the Company's employees (management contribution applicable to the Executive board members);
-) Complementary pension plan « Article 83 » subscribed with AG2r Prémalliance, which terms and conditions are identical for all the Company's employees and financed by a contribution equivalent to 2% of the annual salary, including 1.20% paid by the Company;
-) For Nicolai Wagtmann, Danish national, who came to live in Marseille, the Company reimburse a part of the school fees for his children; and
-) The Company subscribed to a contract of unemployment insurance (GSC) for the Chairman of the Executive board. Such contract guarantees the payment of an indemnity in case of unemployment (within the limit of 70% of the last professional income declared to the Tax administration), to the company leaders and corporate officers not entitled to the ASSEDIC unemployment benefits.
-) Mondher Mahjoubi's non-competition indemnity

The Chairman's mandate agreement entered into between Mondher Mahjoubi and the Company provides that as consideration for a non-competition and a non-solicitation clause, Mondher Mahjoubi will benefit as from the end of its functions as Chairman of the Executive board, from a fixed compensation paid monthly over a

two-year period. However, the Company may, at any moment, waive such non-competition and non-solicitation obligation at any moment as from the end of the social mandate. In such case, the indemnity shall not be due. Such indemnification qualify as undertaking under Article L. 225-190-1 § 6 of the Code of commerce and was authorized by the Supervisory board as provided under Article L. 225-86 of the Code of commerce.

2.1.1.5 Exceptional attributions of free shares for new executives

Subject to the approval of the General meeting, upon recommendation of the Compensation and nomination committee and approval of the principle by the Supervisory board, the Executive board may attribute free shares to the executives newly appointed or recruited.

The possibility to attribute free shares in case of recruitment of a new member of the Executive board is made for the purpose of attracting and keeping high level profiles by granting them a compensation in line with market practices⁶, while preserving the cash position of the Company.

Such free shares have a three-year acquisition period as from the attribution with a presence condition.

With regards to the development stage of the Company and its stock value evolution, the free shares value, at the end of the three-year acquisition period, shall reflect the Company's performance (and thus the performance of the Executive board member who contributed to such performance).

The number of free shares attributed during each fiscal year will be 50,000 free shares, for two people at the maximum.

The attribution of free shares is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of free shares.

2.1.2. Supervisory board members compensation

The Supervisory board members compensation is made of attendance fees and warrants (BSA) giving right to the subscription of ordinary shares. As from the 2017 fiscal year, the Chairman of the Supervisory board is no longer remunerated with attendance fees but benefits from a distinct compensation.

2.1.2.1. Attendance fees

The Company pays attendance fees to the independent members of the Supervisory board include a fixed part for each member, a fixed part for the Chairman of the Audit and Compensation and nomination committees and a variable part depending on their presence to the board and committees. The variable part depending on the presence to the meetings of the Supervisory board and committees overrides the fixed part.

The table below shows the allocation grid of the attendance fees applicable as from the 2017 fiscal year. Such grid was modified by the Chairman of the Supervisory board at the Supervisory board meeting on December 14, 2016 following the decision to grant a distinct compensation to the Chairman of the Supervisory board.

Envelop voted at the Annual general meeting		€200,000
Fixed part	Supervisory board Chairman	€20,000
	Supervisory board member	€15,000
Variable part depending on the presence to the Supervisory board meetings	Committee Chairman ⁽¹⁾	€3,000
	Other members	€1,500
Variable part depending on the presence to the Committees meetings	Committee Chairman	€1,500
	Committee member	€1,000

⁶ See « Definitions » on the Peer Group compensation

In case of conference call or videoconference, the variable part is reduced by 50%.

(1) Audit committee or Compensation and nomination committee

The censor, who is called to the Supervisory board meetings and has a consultative voice, is not remunerated under his mandate.

The possibility to pay such attendance fees is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions applicable to the ordinary general meetings, of the envelop mentioned above.

2.1.2.2. Warrants (BSA)

Subject to the favourable vote by the General meeting, the Company wishes to attribute warrants (BSA) to the independent members of the Supervisory board. The purpose of such attributions is to attract high profile to the Supervisory board while preserving the Company's cash position.

The characteristics of such BSA shall be:

-) Warrants attribution to the independent members of the Supervisory board at the time of their first appointment and in case of exceptional event, within the limit of 10,000 BSA per member
-) Each warrant will give right to subscribe one share with a strike price equal to the stock market average of the last ten days following the attribution (without discount);
-) The warrants will become exercisable two years after their attribution and over an eight-year period.

It is noted that the attribution of warrants to the Supervisory board members is not regarded as a compensation and does not depend on the achievement of performance criteria but aims at attracting and retaining high level qualification personalities to the Supervisory board.

The attribution of warrants is subject, in addition to the vote provided under Article L. 225-82-2 of the Code of commerce, to the shareholders' approval, at the vote conditions of the extraordinary general meetings, of a resolution allowing the attribution of warrants.

2.1.2.3. Chairman of the Supervisory board compensation

The Chairman of the Supervisory board does not receive attendance fees. He receives a fixed compensation and an exceptional temporary compensation.

) Fixed compensation

The Supervisory board of December 14, 2016 decided that Hervé Brailly, as new Chairman of the Supervisory board, will benefit from a specific compensation under Article L. 225-84 of the Code of commerce and would no longer be remunerated on the attendance fees envelop voted by the Ordinary general meeting. As non-independent member of the Supervisory board, Hervé Brailly does not benefit from attendance fees, neither from equity instruments.

For the 2018 fiscal year, Hervé Brailly's specific compensation for his functions as Chairman of the Supervisory board amounted to €50,000 per year.

) Exceptional temporary compensation

The Supervisory board of December 14, 2016 decided to entrust Hervé Brailly with a special mission under Article L. 225-84 of the Code of commerce, in addition to his functions as Chairman of the Supervisory board.

Such mission was performed during the 2017 fiscal year and the Supervisory board of December 13, 2017, upon recommendation of the Compensation and nomination committee decided to renew such special mission for a one-year period ending on December 31, 2018, without possibility or renewal.

The special mission, which will be performed during the 2018 fiscal year aims at continuing to support the new Chairman of the Executive board and finalize the internal and external transition. Such mission consists in:

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-) Advise the Chairman of the Executive board with regards to the relations with local, regional and French interlocutors (politicians, scientists, economists) of the Company and to the key opinion leaders in the Company's fields of activities;
-) Advise the Company with regard to scientific strategy and notably with regard to bi-specifics platforms and ADC and new targets and technologies, in addition to NK platform;
-) Continue and, as the case may be, establish some contacts required for business development activities;
-) Help to identify new targets of acquisition (preclinical projects, companies); and
-) Be involved in some financial relations activities if needed.

Under such mission and until its term, Hervé Brailly will benefit, in addition to its compensation as Chairman of the Supervisory board, a gross compensation of €100,000 per year.

2.2. COMPENSATION IF THE EXECUTIVE BOARD MEMBERS AND OF THE CHAIRMAN OF THE SUPERVISORY BOARD DURING THE 2017 FISCAL YEAR (« EX POST » VOTE)

In accordance with articles L. 225-100 and L. 225-68 of the Code of commerce, as modified by articles 4 and 7 of Ordonnance n°2017-1162 dated July 12, 2017 and Law n°2016-1691 dated December 9, 2016, named "Sapin II", which established a mandatory "ex post" vote, the following paragraphs present the fixed, variable or exceptional components of the global compensation and benefits in kind paid or attributed for the previous fiscal year to the Chairman of the Executive board, the members of the Executive board and the Chairman of the Supervisory board.

The variable or exceptional components of the compensation will be submitted to the shareholders' approval at the next General meeting to be held on May 29, 2018, deciding on the accounts for the 2018 fiscal year and can only be implemented after having received the favourable vote on the simple majority of the shareholders present or represented.

Thus, the following paragraphs present the fixed, variable or exceptional components of the global compensation and benefits in kind paid, for the 2017 fiscal year to the Chairman and member of the Executive board and the Chairman of the Supervisory board. It is noted that Nicolai Wagtmann having left his functions as Executive board member on June 23, 2017 no component of compensation mentioned under article L. 225-100 paragraph 9 submitted to the "Ex post" vote has been paid or is due to him for the 2017 fiscal year.

2.2.1 Components of the compensation for the Chairman of the Executive board and member of the Executive board and the Chairman of the Supervisory board for the 2017 fiscal year

2.2.1.1 Recapitulative table of the compensation components submitted to the "ex post" vote

The table below shows all components of the global compensation and benefits in kind paid or attributed⁽¹⁾ for the fiscal year ended on December 31, 2017 to *Mondher Mahjoubi, Chairman of the Executive board*

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€470,000	Fixed compensation paid under the mandate agreement
Annual variable compensation*	€127,605	The Supervisory board of December 13, 2017, upon recommendation of the Compensation and nomination committee of December 8, 2017, fixed the objectives achievement of Mondher Mahjoubi to 90.5% (see 2.2.1.2).
Free shares attribution (replacing a part of the payment in cash of the annual variable compensation)*	€72,285.5 ⁽³⁾	Mondher Mahjoubi opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. On the basis of the objectives achievement recorded by the Compensation and nomination committee of December 8, 2017, it benefits from 15,218 AGA Bonus over the 16,816 AGA Bonus attributed by the Executive board of September 20, 2017 and corresponding to 50% of his annual variable

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compensation increased by a 30% premium ⁽²⁾. An Executive board will record, on September 21, 2018 at the earliest, the definitive acquisition of such 15,218 AGA Bonus so attributed (see 2.2.1.2).

Equity instruments paid under the pluriannual variable compensation €63,000 ⁽⁴⁾

The Executive board of April 3, 2018, upon authorization of the Supervisory board of June 23, 2017, decided upon recommendation of the Compensation and nomination committee of the same day, decided to attribute 700 AGAP to Mondher Mahjoubi.

Benefits in kind €24,293

(1) In accordance with article L. 225-100 of the Code of commerce, the components with * (variable or exceptional components) shall only be paid after being approved at the simple majority by the shareholders present or represented

(2) The number of AGA Bonus attributed by the Executive board of September 20, 2017, subject to the achievement of the objectives, was calculated on the basis of the weighted average of the 20 last trading days before September 20, 2017 (from August 23, 2017 to September 19, 2017), amounting to €10.90 per ordinary share of the Company.

(3) AGA Bonus valued at the stock market value on December 31, 2017, amounting to €4.75

(4) Attribution by the Executive board of April 3, 2018 of 700 AGAP 2017 for the 2017 pluriannual variable compensation, valued par an independent financial advisor at €90 per AGAP 2017 as at April 3, 2018

The table below shows all components of the global compensation and benefits in kind paid or attributed⁽¹⁾ for the fiscal year ended on December 31, 2017 to *Yannis Morel, Product portfolio strategy & Business development and member of the Executive Board*

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€196,648	Compensation paid under his working contract. The Supervisory board of June 23, 2017, upon recommendation of the Compensation and nomination committee of the same day, decided to increase the fixed compensation of Yannis Morel by 20% due to the expansion of his area of responsibilities (notably the portfolio management, the management of the "strategic portfolio committee" and the management of all program directors). Such increase took effect on July 1, 2017.
Annual variable compensation	€46,305	The Supervisory board of December 13, 2017, upon recommendation of the Compensation and nomination committee of December 8, 2017, fixed the achievement of the annual objectives of Yannis Morel at 75% and the achievement of the objectives of Nicolai Wagtmann by Yannis Morel at 44.5% (see 2.2.1.2).
Free shares attribution (replacing a part of the payment in cash of the annual variable compensation)*	€12,616 ⁽³⁾	Yannis Morel opted for the payment of 50% of his annual variable compensation in free shares, increased by a 30% premium. On the basis of the objectives achievement recorded by the Compensation and nomination committee of December 8, 2017, it benefits from 2,656 AGA Bonus over the 3,542 AGA Bonus attributed by the Executive board of September 20, 2017 and corresponding to 50% of his annual variable compensation increased by a 30% premium ⁽²⁾ . An Executive board will record, on September 21, 2018 at the earliest, the definitive acquisition of such 2,656 AGA Bonus so attributed (see 2.2.1.2) ⁽²⁾ .
Equity instruments paid under the pluriannual variable compensation	€45,000 ⁽⁴⁾	The Executive board of April 3, 2018, upon authorization of the Supervisory board of June 23, 2017, decided upon recommendation of the Compensation and nomination committee of the same day, decided to attribute 500 AGAP to Yannis Morel.
Benefits in kind	€3,851	

(1) In accordance with article L. 225-100 of the Code of commerce, the components with * (variable or exceptional components) shall only be paid after being approved at the simple majority by the shareholders present or represented

(2) The number of AGA Bonus attributed by the Executive board of September 20, 2017, subject to the achievement of the objectives, was calculated on the basis of the weighted average of the 20 last trading days before September 20, 2017 (from August 23, 2017 to September 19, 2017), amounting to €10.90 per ordinary share of the Company.

(3) AGA Bonus valued at the stock market value on December 31, 2017, amounting to €4.75

(4) Attribution by the Executive board of April 3, 2018 of 500 AGAP 2017 for the 2017 pluriannual variable compensation, valued par an independent financial advisor at €90 per AGAP 2017 as at April 3, 2018

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The table below shows all components of the global compensation and benefits in kind paid or attributed for the fiscal year ended on December 31, 2017 to *Nicolai Wagtmann, Chief Scientific Officer and Executive board member until June 23, 2017*

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€104,631	Compensation paid under his working contract.
Benefits in kind	€10,856	

The table below shows all components of the global compensation and benefits in kind paid or attributed for the fiscal year ended on December 31, 2017 to *Hervé Brailly, Chairman of the Supervisory board*⁽¹⁾

Components of the compensation paid or attributed during the fiscal year ended on December 31, 2017	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€50,000	Specific compensation paid under article L. 225-84 of the Code of commerce (see 2.2.2.3).
Exceptional temporary compensation	€100,000	Special mission entrusted to Hervé Brailly within the meaning of article L. 225-84 of the Code of commerce (see 2.2.2.3).

(1) The Chairman of the Supervisory board does not receive any variable compensation

2.2.1.2 Details of the compensation components

J Annual variable compensation paid in cash

The tables below show the annual objectives of the Executive board members and their weighting as well as the percentage of achievement of each objective, as assessed by the Supervisory board of December 13, 2017, upon recommendation of the Compensation and nomination committee of December 8, 2017.

The individual annual objectives of the Executive board members were presented under the 2017 Say on Pay report and approved by the General meeting of June 23, 2017.

The individual annual performance criteria are divided, for each Executive board member, into sub criteria with an achievement percentage for each member of the Executive board.

The targets of each criterion cannot be disclosed for strategic and confidential purposes.

Mondher Mahjoubi

	Weighting	Achievement	Assessment criteria	Assessment
Scientific leadership				
Progress and diversification of the preclinical pipeline	30%	24.5%	Achievement of a number of target projects reaching development milestones	Number of target projects reaching the development milestones achieved, except for one project, which was modified in the course of its development and another project, which was stopped before reaching an early milestone.
Progress of the clinical pipeline	30%	31%	Achievement of clinical objectives defined under the strategic plan	Most of the clinical objectives defined under the strategic plan have been achieved. Some non-strategic trials were suspended. A clinical program overachieved the objective.
Commercial development	5%	2.5%	Number of in and out licensing according to the strategic plan	Half of the objectives of acquisition or granting of licenses defined under the strategic plan was reached.
Scientific communication	5%	5%	Reaching a target number of scientific publications	Number of publications defined under the objectives reached.

Organization readiness				
Evolution of the human, financial and organizational resources of the Company to boost its development	10%	7.5%	Implementation of the recruitment plan as defined and figured at the beginning of the year within a strong growth context; development of new competences area in relation with the strategic plan	The recruitment plan was implemented as provided under the strategic plan. One internal organization target was not reached.
Financial discipline				
Achievement or overachievement of the budget targets	10%	10%	Budget targets as defined under the strategic plan, evolution of the management tools in relation with the Company's development	Compliance with the budget and setting up of a long term strategic plan.
Great place to work				
Attract and develop human potentials and maintain a strong team spirit Efficiency of the decision process	10%	10%	Implementation and starting of training programs (including development and leadership programs); development of internal communication tools, evolution of the internal process of decision	Setting up of new committees to improve the process and the portfolio management. Setting up of an individual assessment process for employees Preparation of an internal communication plan, which will be rolled out in 2018.
TOTAL		90.5%		

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Yannis Morel: achievement of individual objectives for 2017

	Weighting	Achievement	Assessment criteria	Assessment
Scientific leadership				
Progress and diversification of the preclinical pipeline	20%	20%	Achievement of a number of target projects reaching development milestones	Number of target projects reaching the development milestones reached, notably from a business development point of view.
Commercial development	35%	20%	Number of in and out licensing according to the strategic plan	Objective partially reached.
Organization readiness				
Evolution of the human, financial and organizational resources of the Company to boost its development	5%	5%	Implementation of the recruitment plan as defined and figured at the beginning of the year within a strong growth context; development of new competences area in relation with the strategic plan	Recruitment objectives reached.
Financial discipline				
Achievement or overachievement of the budget targets	10%	0%	Budget targets as defined under the strategic plan, evolution of the management tools in relation with the Company's development	Objective not reached
Great place to work				
Attract and develop human potentials and maintain a strong team spirit Efficiency of the decision process	30%	30%	Implementation and starting of training programs (including development and leadership programs); development of internal communication tools, evolution of the internal process of decision	Setting up of a new organization for the Program Directors to simplify and harmonize the decision making process.
TOTAL		75%		

Yannis Morel: achievement of Nicolai Wagtmann's objectives for 2017

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	Weighting	Achievement	Assessment criteria	Assessment
Scientific leadership				
Progress and diversification of the preclinical pipeline	40%	40%	Achievement of a number of target projects reaching development milestones	Number of target projects reaching the development milestones reached, notably from a business development point of view.
Progress of the clinical pipeline	30%	22%	Achievement of clinical objectives defined under the strategic plan	Most of the clinical objectives defined under the strategic plan have been achieved. Some non-strategic trials were suspended.
Scientific communication	15%	15%	Reaching a target number of scientific publications	Number of publications defined under the objectives reached.
Organization readiness				
Evolution of the human, financial and organizational resources of the Company to boost its development	5%	5%	Implementation of the recruitment plan as defined and figured at the beginning of the year within a strong growth context; development of new competences area in relation with the strategic plan	Objective of recruitment of key position within the research department reached.
Financial discipline				
Achievement or overachievement of the budget targets	10%	3%	Budget targets as defined under the strategic plan, evolution of the management tools in relation with the Company's development	Compliance with the budget objectives.
Great place to work				
Attract and develop human potentials and maintain a strong team spirit Efficiency of the decision	5%	4%	Implementation and starting of training programs (including development and leadership)	Implementation of a training program (development and leadership) in 2017.

process	leadership programs); development of internal communication tools, evolution of the internal process of decision
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TOTAL	89%
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The table below shows the amount of annual variable compensation to be paid to each Executive board member for 2017.

Amount to be paid to the Executive board members under their annual variable compensation						
	Fixed compensation (€)	% of variable of fixed compensation	% of achievement of performance criteria	of Annual variable total 2017 (€)	Variable 2017 to be paid (€) ⁽¹⁾	Variable 2017 paid in AGA Bonus (€)
Mondher Mahjoubi	470,000	60%	90.5%	255,210	127,605	72,285.5 ⁽⁴⁾
Yannis Morel	198,000 ⁽²⁾	30%	75%	44,550	46,305 ⁽³⁾	12,616 ⁽⁵⁾

(1) Mondher Mahjoubi and Yannis Morel having both opted for the payment of 50% of their annual variable compensation into AGA Bonus, 50% of this amount will be paid in cash (see 2.1.1.2).

(2) Fixed compensation paid in 2017 following the increase of Yannis Morel's compensation decided by the Supervisory board of June 23, 2017, upon recommendation of the Compensation and nomination committee of the same day: €90,000 from January to June 2017 and €108,000 from June to December 2017

(3) €22,275 corresponding to 50% of Yannis Morel's annual variable compensation (€44,550 at the total), increased by €4,030 corresponding to 50% (from July to December 2017, following Nicolai Wagtmann's resignation) of achievement by Yannis Morel of Nicolai Wagtmann's objectives (89%)

(4) In September 2018, the Executive board will record the definitive acquisition of 15,218 AGA Bonus corresponding to 50% of Mondher Mahjoubi's annual variable compensation increased by a 30% premium. On December 31, 2017, such AGA Bonus were valued at €72,285.5 (market value of €4.75 per share on December 31, 2017).

(5) In September 2018, the Executive board will record the definitive acquisition of 2,656 AGA Bonus corresponding to 50% of Yannis Morel's annual variable compensation increased by a 30% premium. On December 31, 2017, such AGA Bonus were valued at €12,616 (market value of €4.75 per share on December 31, 2017).

Long-term incentive – Distribution of free preferred shares

The attributions of free preferred shares (or AGAP) consist in the free attribution, under Article L. 225-197-1 et. Seq. of the Code of commerce, of a number of ordinary shares of the Company depending on the achievement of performance criteria determined at the attribution and evaluated over a three-year period.

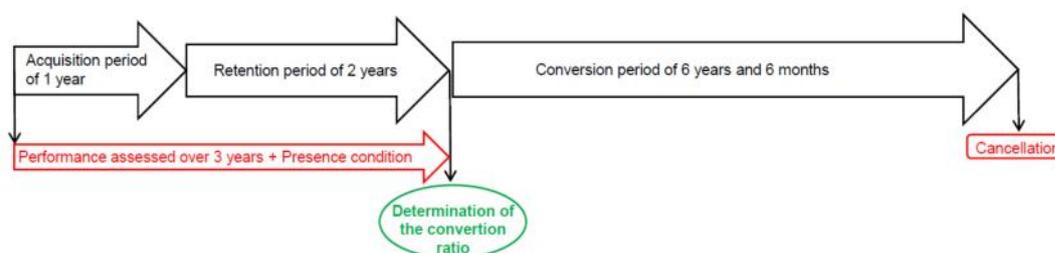
The AGAP 2017 are subject to a one-year acquisition period with presence condition. During the two-year period following, the AGAP cannot be sold, neither converted into ordinary shares. At the end of such two-year period, provided the achievement of the performance criteria (and the presence condition) on that date, the AGAP could be converted into ordinary shares for a six-year and six-month period. At the end of such six-year and six-month period, the AGAP that would not have been converted, will lose their rights and could be purchased by the Company, and, as the case may be, cancelled.

For 2017, it will be proposed to the general meeting to vote AGAP with performance criteria based on the stock market evolution.

The target performance will be an increase of the current stock market price to €30 by ordinary share. In case of achievement of such performance criteria, each AGAP may be converted into a maximum of 100 ordinary shares. If at the end of the three-year period the stock market is comprised between €11.6 (average of the 60 stock market prices before the 2017 AGM) and €30, the conversion ratio will be calculated by linear extrapolation. If on the conversion date, the stock market price is below 11.6, the AGAP may not be converted.

Following the decision of the Supervisory board dated June 23, 2017 adopted upon recommendation of the Compensation and nomination committee, the Executive Board, on April 3, 2018, used the delegation granted by the 30th resolution of the General Meeting held on June 23, 2017 to AGAP Management 2017-1 to the Executive board members.

The timeline below shows these different steps of attribution, definitive acquisition and conversion of the AGAP:



The table below shows such distribution:

Executive board members	Number of AGAP Management attributed	% of maximum dilution ⁽¹⁾	Total value in € ⁽²⁾
Mondher Mahjoubi	700	0.12%	63,000
Yannis Morel	500	0.09%	45,000

(1) On the basis of the number of shares of the non-diluted share capital on the date of the Executive board attribution and assuming that the AGAP have been fully converted (1 AGAP = 100 ordinary shares);

(2) On the basis of the valuation made by an independent financial expert on the attribution date, April 3 2018 by the Executive board and having an AGAP valued at €90

Summary of the equity instruments giving access to the share capital owned by the Executive board members and the Chairman of the Supervisory board

The table below summarizes the share equivalents of the equity instruments owned by the members of the Executive board and the Supervisory board on the date of this Report:

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	BSAAR	BSA	AGAP Management 2016/2017 ⁽²⁾	AGA Management ⁽²⁾	AGA Bonus ⁽³⁾	TOTAL (in shares in case of maximum conversion of the AGAP)	% of maximum dilution ⁽¹⁾
Hervé Brailly	350,000		100,000			450,000	0.78%
Mondher Mahjoubi	-	-	670,000	250,000	15,218	935,218	1,62%
Yannis Morel	88,000	-	140,000	-	2,656	230,656	0,40%
Total	438,000	-	910,000	250,000	17,874	1,615,874	2,80%

(1) On the basis of the number of shares of the non-diluted share capital on the date of the Executive board attribution and assuming that the AGAP have been fully converted (1 AGAP = 100 ordinary shares);

(2) In number of shares in case of maximum conversion

(3) Whose definitive acquisition will be recorded in September 2018

2.2.2 Compensation of the Supervisory board members during the 2018 fiscal year

2.2.2.1 Attendance fees

The Annual General Meeting of June 23, 2017 voted a total amount of €200,000 in attendance fees. This amount is distributed among the members of the Supervisory Board according to a calculation, which depends on their rate of attendance at meetings and their responsibility in committees.

The table below shows the attendance rate of the Supervisory board members during the 2017 fiscal year:

	Supervisory board	Audit committee	Compensation and nomination committee	Transaction committee	% of presence
Hervé Brailly	100% (9/9)	-	100% (5/5)	100% (2/2)	100%
Irina Staatz-Granzer	78% (7/9)	75% (3/4)	-	100% (2/2)	84.33%
Gilles Brisson	100% (9/9)	100% (4/4)	100% (5/5)		100%
Novo Nordisk A/S	78% (7/9)			0% (0/2) ⁽¹⁾ -	78%
Bpifrance Participations (Mailys Ferrere)	100% (4/4)	50% (1/2)	-	-	75%
Patrick Langlois	78% (7/9)	100% (4/4)	67% (3/5)		81.6%
Michael A. Caligiuri	100% (2/2)	-	-	-	100%
Véronique Chabernaud	100% (9/9)	-	100% (5/5)	-	100%

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(1) In 2017, the Transaction committee meets twice about the C5aR deal concluded with Novo Nordisk A/S. To avoid any conflict of interest, Novo Nordisk A/S was absent to these committees.

On the basis of such elements and the allocation grid applicable during the 2017 fiscal year, the Company paid attendance fees to the members of the Supervisory board in 2017 amounting to €150,609 allocated as follows:

	Amount of the attendance fees paid (€)
Irina Staatz-Granzer	27,500
Gilles Brisson	47,750
Patrick Langlois	40,250
Véronique Chabernaud	29,500
Michael Caligiuri ⁽¹⁾	5 609

(1) Michael Caligiuri resigned from his mandate as Supervisory board member on April 10, 2017

2.2.2.2 Warrants (BSA)

J Warrants (BSA) attributed in 2017

The Executive board of September 20, 2017, upon authorization of the Supervisory board of June 23, 2017, attributed 10,000 BSA (BSA 2017-1) to the independent members of the Supervisory board. 37,000 BSA were subscribed.

The BSA 2017-1 will be exercisable two years following their attribution for an eight-year period.

The exercise price of the BSA 2017-1 corresponds to the average of the ten last trading days on the attribute date, *i.e.* €11 from September 6 to 19, 2017. The subscription price of the BSA 2017-1 is equal to 10% of the exercise price, *i.e.* €1.10.

At the end of the subscription period of the BSA 2017-1, on November 30, 2017, the BSA 2017-1 were attributed as follows:

Beneficiaries	Functions	Number of BSA 2017-1 subscribed by each beneficiary
Gilles Brisson	Supervisory board member	10,000
Irina Staaz-Granzer	Supervisory board member	10,000
Véronique Chabernaud	Supervisory board member	10,000
Patrick Langlois	Supervisory board member	7,000
Total		37,000

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J Warrants (BSA) held by the Supervisory board members

The table below summarizes the share equivalents of the circulating BSA held by the members of the Supervisory board on January 31, 2018:

Supervisory board members	Circulating BSA	% dilution ⁽¹⁾
Hervé Brailly	0	0%
Irina Staatz-Granzer	45,000	0.08%
Gilles Brisson	50,000	0.09%
Novo Nordisk A/S	0	0%
Bpifrance Participations (Mailys Ferrere)	0	0%
Patrick Langlois	7,000	0.01%
Véronique Chabernaud	24,200	0.04%
TOTAL	126,200	0.22%

(1) On the basis of the shares forming the share capital on January 31, 2018, non-diluted.

The independent members of the Supervisory board do not hold any other equity instrument.

2.2.2.3 Renewal of the special mission entrusted to the Chairman of the Supervisory board

The Supervisory board of December 14, 2016 having appointed Hervé Brailly as Chairman of the Supervisory board decided to entrust him with a special mission under Article L. 225-84 of the Code of commerce, in addition to his mission as Chairman of the Supervisory board.

The Chairman of the Supervisory board received an amount of €100,000 as compensation for this special mission for the 2017 fiscal year.

Chapitre 3. Supervisory board observations

In accordance with Article L. 226-68 of the Code of commerce, the Supervisory board has no observation neither on the Management report nor on the account of the previous fiscal year.

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Annex A –Regulated agreements

See [Annex 1](#) of the Executive Board report to the AGM.

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Annex 3: Proposed amended Articles of association of the Company

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INNATE PHARMA SA

A corporation with executive board and supervisory board with a share capital of EUR 2,880,351.55

Registered Office: 117 avenue de Luminy, 13009 Marseille

424 365 336 Registry of Trade and Companies of Marseille

ARTICLES OF ASSOCIATION (BY-LAWS)

Amended by the Executive Board of May 29, 2018

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

ARTICLE 1 – Form

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

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

ARTICLE 2 – Corporate Name

The name of the Company is INNATE PHARMA.

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

ARTICLE 3 – Registered Office

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

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

ARTICLE 4 – Purpose

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

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

ARTICLE 5 – Duration

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

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

TITLE II

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

ARTICLE 6 – Share Capital

The share capital is € 2,880,351.55 (two million eight hundred eighty thousand three hundred fifty one euros and fifty five cents).

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It is divided into 57,600,100 (fifty seven million six hundred thousand and one hundred) ordinary shares of zero point zero five (0.05) euro each (herein referred to as "**A shares**") and 6,931 (six thousand nine hundred thirty one) preference shares of zero point zero five (0.05) euro each (herein referred to as "**B shares**"), fully subscribed and fully paid up in cash.

ARTICLE 7 – Modifications of the Share Capital

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

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

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

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

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

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

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

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

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

Shareholders have a preferential right of subscription, in proportion to their shareholdings, to shares issued by way of cash contribution in order to increase the share capital. Shares acquired pursuant to the exercise of this right shall be of the same category as that of the share from which the aforesaid right arises. This also applies to shares resulting from the acquisition of securities other than shares.

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

Shareholders may waive their preferential right on an individual basis.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 8 – Paying Up Shares

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

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

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

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

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

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

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

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

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

ARTICLE 10 – Transfer of Shares

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

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

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

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

ARTICLE 11 – Crossing of Thresholds

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

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

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

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

ARTICLE 12 – Rights and Obligations attached to Shares

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

I. Rights attached to A Shares

Without prejudice to the rights attached to B Shares, each A share entitles to a portion of the corporate profits and assets in proportion to the portion of share capital that it represents.

Furthermore, it entitles to the voting right and to the representation at the shareholder's meetings in accordance with the conditions prescribed by law and by the Articles of Association. The company's shares (including the company's shares that could be freely allocated in the event of a capital increase by capitalisation of reserves, profit or issue premium) which justify the holding in registered form during a period of at least two years from 29 May 2018 in the name of the same shareholder, are granted a double voting right.

Shareholders are only liable up to the nominal amount of the shares which they hold and any request for funds beyond that amount is prohibited.

Ownership of a share automatically implies agreement to be bound by the Company's by-laws and the decisions of the General Meeting of Shareholders.

The heirs, creditors, successors or other representatives of the shareholder cannot request seals to be placed on the Company's assets and securities or request their distribution or sale by public auction, or to interfere with its management. In order to exercise their rights, they should rely on company records and the decisions of the General Meeting of Shareholders.

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Whenever it is necessary to hold several shares in order to exercise a right of any kind, in the case of an exchange, regrouping or allocation of securities, or further to a share capital increase or decrease, merger or other corporate transaction, holders of single shares or of less than the number of shares so required will only be able to exercise such right if they themselves collect and, as the case may be, purchase or sell, the required number of securities.

However, the Company may, in the case of an exchange of securities further to a merger or demerger, a share capital reduction, the regrouping or division and mandatory conversion of bearer into registered shares, or the distribution of securities deducted from reserves or in connection with a share capital reduction, or the distribution or allocation of free shares, pursuant to a decision of the Executive Board, sell any securities in respect of which the persons entitled thereto have not requested delivery subject to having carried out the publicity formalities provided by regulations at least two years beforehand.

As from the date of such sale, the prior securities or rights to distribution or allocation shall be cancelled as and when required, and their holders shall only be entitled to the allocation of the net proceeds of sale of unclaimed securities.

II. Rights attached to B Shares

B Shares and the rights of holders thereof are governed by the applicable provisions of the French Commercial Code, in particular Articles 228-11 et seq. thereof.

The maximum number of B Shares that may be allocated is 7,500 shares.

Only the B Shares convertible into A Shares pursuant to the terms and conditions specified below grant the right to vote in the general meetings of holders of Ordinary Shares, applicable only from the date at which they become convertible. The B Shares that have become convertible will bear rights as from the first day of the financial year preceding the financial year during which they become convertible. The amount of the dividend (and, if applicable, of the portion of the reserves) to which each B Share entitles is equal to the amount due in respect of an A Share, multiplied by the number of A Shares that can be received from the conversion of each B Share.

B Shares give no preferential subscription right to any capital increase or any operation granting a right on A Shares.

In the event of an operation taking place before the B Shares are converted pursuant to paragraph III. below, the conversion ratio will be adjusted pursuant to the provisions of Article L. 228-99, Paragraph 2, 3° and Paragraph 5 of the French Commercial Code.

With regards to the ownership of corporate assets, a B Share gives right to a portion of the liquidation surplus in proportion to the portion of share capital that it represents.

Only the B Shares convertible into A Shares pursuant to the terms and conditions specified below grant the right to vote in the ordinary and extraordinary general meetings of holders of A Shares, applicable only from the date at which they become convertible. The number of voting rights granted by each B Share is equal to the number of A Shares that can be received from the conversion of each B Share.

B Shares grant the right to vote in the special meetings of holders of B Shares. Holders of B Shares are grouped into a special meeting for any proposed modification of the rights attached to B Shares. In addition, pursuant to the provisions of Article L. 228-17 of the French Commercial Code, any proposed merger or demerger of the Company in which B Shares cannot be exchanged for shares with equivalent particular rights will be subject to the approval of any relevant special meeting.

Special meetings can only make valid decisions if the holders of B Shares that are present or represented hold at least, when convened for the first time, one third, and when convened for the second time, one fifth of the B Shares carrying the right to vote. If the capital is modified or adjusted, the rights of holders of B Shares are adjusted so that their rights may be maintained pursuant to Article L. 228-99 of the French Commercial Code. The other rights attached to B Shares are specified in the next paragraph.

III. Conversion of B Shares into A Shares

The issuance of B Shares may only be decided in the framework of an allocation of free shares in favour of the employees and/or executive officers of the Company, pursuant to the provisions of Articles L. 225-97-1 of the French Commercial Code.

B Shares will be definitively acquired by the beneficiaries after an acquisition period of one year from their allocation by the Executive Board and subject to the beneficiary's presence in the Company or its consolidated subsidiaries as an employee, executive officer or member of an executive or supervisory body or, if applicable, of the equivalent thereof in foreign law. The "**Acquisition Date**" is defined as the end of the acquisition period of the Preference Shares.

However, in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code (or the equivalent thereof in an applicable foreign law), the B Shares will be allocated definitively prior to the Acquisition Date.

The B Shares become convertible in A Shares, either new or existing at the Company's option, after the above-mentioned one-year vesting period from their allocation by the Executive Board, followed by a two-year retention period from the definitive allocation (the "B"), under the conditions set forth in Paragraphs 2 to 10 below. The "**Expiry Date of the Retention Period**" is defined as the end of the Retention Period.

However, in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code (or the equivalent thereof in an applicable foreign law), the B Shares will be allocated definitively prior to the Acquisition Date.

1. As from the first anniversary date of the Acquisition Date, B Shares will be freely transferable to a credit institution in the framework of a pledge agreement.

Pursuant to the provisions set forth in the Article L. 225-197-1 I., Paragraph 6 of the French Commercial Code, the B will be freely transferable in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code, regardless of whether such invalidity occurs before or after the Acquisition Date.

2. B Shares may only be converted for a conversion period of six years and six months from the Expiry Date of the Retention Period (the "**Conversion Period**").
3. During the Conversion Period, each holder of B Shares will have the right to convert each of his B Shares in A Shares, either new or existing (at the Company's option). The number of A Shares to which the conversion of one B Share will entitle will be equal to the sum of (i) a number of Ordinary Shares determined according to the fulfilment of an internal condition (the "**Internal Condition**") and a market condition as defined below (the "**Market Condition**") (together the "**Performance Criteria**").

The fulfilment of the Performance Criteria will give the right to convert each B share in a maximum of 200 A Shares, i.e. a maximum of 100 Ordinary Shares under the Internal Condition and a maximum of 100 Ordinary Shares under the Market Condition.

It is specified that this conversion ratio thus determined will be adjusted in order to take into account the shares to be issued to preserve the rights of holders of securities or other rights giving access to the share capital and holders of B Shares under legal and statutory requirements and Paragraph II. above.

4. The Internal Condition in order to calculate the number of B Shares that can be converted will be determined as a function of the highest of the following two alternative criteria:

a) The first criterion is a function of the consolidated collected turnover of the Company relating to a present or future partnership or licensing agreement, cumulated over the period from 1 July 2016 to 30 June 2019 (the "**Cash Revenues**"):

(i) If the Turnover is strictly inferior to 50 millions euros, the conversion ratio under the Internal Condition will be equal to 0;

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

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

(iii) If the Cash Revenues are equal or superior to 150 million Euros, the conversion ratio under the Internal Condition will be equal to 100;

b) The second criterion is a function of the maturity of the portfolio of drug candidates developed by the Company during the three years before the Expiry Date of the Retention Period. "Drug candidates developed by the Company" mean Lirilumab, Monalizumab and IPH4102. For each of these products:

(i) In the event of the authorization by the competent regulatory authority the United States or in Europe for the Company or one of its partners to carry out a Phase III trial or a clinical trial with a view to register a product, the conversion ratio under the Internal Condition will be equal to 50;

(i) In the event of the authorization by the competent regulatory authority in the United States or in Europe for the Company or one of its partners to carry out two Phases III trials or clinical trials with a view to register two products and/or two different indications for one product, the conversion ratio under the Internal Condition will be equal to 75;

(ii) In the event of an acceptance from the European Medicines Agency (EMA) in Europe or the Food and Drug Administration (FDA) in the United States to examine a filing by the Company or one of its partners of a marketing authorization request, the conversion ratio under the Internal Condition will be equal to 100.

5. The Market Condition in order to calculate the conversion ratio of B Shares into A Shares will be determined depending on the stock market price of the Innate Pharma share:

The terms "**Initial Price**" mean the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the Allocation Date by the Executive Board.

The terms "**Final Price**" mean the highest average closing price of the Innate Pharma share on Euronext Paris over a period of sixty consecutive days calculated at any time during the three years prior to the Expiry Date of the Retention Period.

The terms "**High Price**" means the Initial Price multiplied by two.

a) If the Final Price is strictly inferior to the Initial Price, the conversion ratio under the Market Condition will be equal to 0;

b) If the Final Price is between (i) a value equal or superior to the Initial Price and (ii) a value inferior to the High Price, the conversion ratio under the Market Condition will be equal to:

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

- c) If the Final Price is equal or superior to the High Price, the conversion ratio under the Market Condition will be equal to 100.
6. The right to convert B Shares into A Shares, as well as the right to vote in the general meetings of A Shares holders and the right to the dividend and to a portion of the reserves attached to B Shares that have become convertible pursuant to Paragraph II. above, are subject to the condition of the beneficiary's presence in the Company or its consolidated subsidiaries as an employee, an executive officer or a member of an executive or supervisory body or, if applicable, of the equivalent thereof in foreign law as at the Expiry Date of the Retention Period. In the event that such condition ceases to be fulfilled, the Company may proceed at any moment to the redemption of B Shares in the conditions set forth in Paragraph 8. below. It is specified that the provisions of this paragraph do not apply if the presence of the beneficiary in the Company or its consolidated subsidiaries ceases due to death, invalidity or retirement.
 7. The fulfilment of the Performance Criteria will be recorded in a meeting of the Executive Board as soon as practicable after the Expiry Date of the Retention Period.
 8. B Shares that cannot be converted into A Shares depending on the extent to which the Performance Criteria are fulfilled or if the presence condition as at the Expiry Date of the Retention Period is not fulfilled, and B Shares that can be but will not have been converted at the end of the Conversion Period, may be bought at any time by the Company (which is under no obligation to do so) at their nominal value.
 9. At the end of the Conversion Period, the Company will have the possibility to proceed, pursuant to applicable legal and regulatory provisions, to the cancellation of B Shares that will have not been converted, including those that it will have bought. The share capital will then be reduced accordingly, and creditors will have the right to oppose such reduction in the conditions set forth in Article L. 225-205 of the French Commercial Code.
 10. New A Shares resulting from the conversion of B Shares will be assimilated to existing A Shares, will bear rights as from the first day of the financial year preceding the financial year during which they become convertible, and will grant to their holders, starting from their delivery, all the rights attached to A Shares. They will be subject to a request for listing on the regulated market of Euronext Paris on the same listing line as A Shares.

By way of derogation to the above, the allocation of B Shares can take place after the date of their allocation by the Executive Board and prior to the Acquisition Date, in the event of invalidity of the beneficiary corresponding to classification in the second or third categories set forth by Article L. 341-4 of the French Social Security Code, at the beneficiary's request.

The Executive Board will record the conversion into A Shares of the B Shares for which the conversion fulfils the conditions set forth above, as well as the number of A Shares resulting from the conversions of B Shares that have taken place, and will modify the by-laws accordingly, in particular with regards to the breakdown of shares by category. This competence may be delegated to the Chairman of the Executive Board under the conditions set forth by law.

If the conversion of B Shares into A Shares results in a capital increase, such increase will be fully paid up at issue through the incorporation of reserves, profits or issue premiums for the corresponding amount.

Shareholders will be informed of the conversions having taken place by the reports of the Executive Board and Statutory Auditors pursuant to Article R. 228-18 of the French Commercial Code. These supplementary reports will be made available to the shareholders at the Company's registered office as from the date on which each meeting is convened.

ARTICLE 13 – Usufruct / Bare Ownership

The shares are not divisible with respect to the Company.

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

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

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

TITLE IV

COMPANY MANAGEMENT AND SUPERVISION

ARTICLE 14 - Management Structure

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

ARTICLE 15 - Composition of the Executive Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 16 – Powers of the Executive Board

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

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

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

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

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

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

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

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

ARTICLE 17 – Composition of the Supervisory Board

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

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

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

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

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

Members of the Supervisory Board may be reappointed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 19 – Deliberations of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 20 – Powers of the Supervisory Board

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

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

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

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

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

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

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

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

ARTICLE 21 – Remuneration of Members of the Supervisory Board

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

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

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

ARTICLE 22 – Regulated Agreements

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

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

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

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

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

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

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

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

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

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

ARTICLE 23 – Panel of Censors

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

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

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

ARTICLE 24 – Obligation of Confidentiality and Liability

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

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

TITLE V

STATUTORY AUDITORS

ARTICLE 25 – Statutory Auditors

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

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

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

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

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

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

Their permanent role, without exercising any interference with management, is to verify the company's worth and financial documents and to ensure that its accounting is in compliance with the rules in force. They also verify that the information contained in Executive Board management report and in the documents provided to shareholders on the financial situation and annual accounts is fair and consistent with the annual accounts. The Statutory Auditors ensure that equality among shareholders has been complied with.

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

The Statutory Auditors prepare a report for the Meeting of Shareholders on the performance of their assignment. The Statutory Auditors attach a report to the aforesaid report, presenting their comments on the report referred to in Article L. 225-68 paragraph 7 of the Commercial Code with respect to internal supervision

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procedures relating to the preparation and treatment of accounting and financial information. They also prepare a special report on the agreements referred to in Article 22 of these Articles of Association.

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

TITLE VI

SHAREHOLDERS' MEETINGS

A –Provisions Applying

to all Meetings of Shareholders

ARTICLE 26 – Meetings

A duly constituted Meeting of Shareholders represents all the shareholders.

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

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

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

ARTICLE 27 – Convening Meetings

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

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

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

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

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

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

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

The invitation should contain the following information:

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

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

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

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

ARTICLE 28 – Agenda

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

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

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

ARTICLE 29 – Participation of Shareholders in Meeting of Shareholders

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

- (i) either personally; or
- (ii) by giving a proxy to another shareholder or to his spouse; or
- (iii) by sending a blank proxy to the Company; or
- (iv) by voting by correspondence; or

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- (v) by videoconference or by another means of telecommunication in accordance with the applicable statutory and regulatory provisions.

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

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

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

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

ARTICLE 30 – Representation of Shareholders

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

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

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

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

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

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

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

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

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

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

ARTICLE 31 – Attendance Register

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

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

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

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

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

ARTICLE 32 – Quorum

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

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

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

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

ARTICLE 33 – Minutes

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

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

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ARTICLE 34 – Communication of Documents

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

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

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

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

B – Provisions Specific to

Ordinary Meetings of Shareholders

ARTICLE 35 – Ordinary Meeting of Shareholders

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

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

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

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

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

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

C – Provisions Specific to

Extraordinary Meetings of Shareholders

ARTICLE 36 – Extraordinary Meetings of Shareholders

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

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

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

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

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

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

ARTICLE 37 – Special Meeting

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

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

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

TITLE VII

FINANCIAL YEAR – ANNUAL FINANCIAL STATEMENTS

APPROPRIATION AND DISTRIBUTION OF PROFITS

ARTICLE 38 – Financial Year

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

ARTICLE 39 – Accounts

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

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

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

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

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

ARTICLE 40 – Appropriation of Profits

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

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

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

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

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

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

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

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

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

ARTICLE 41 – Dividends

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

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

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

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

TITLE VIII

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

ARTICLE 42 – Early Winding Up

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

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

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

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

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

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

TITLE IX

WINDING-UP – LIQUIDATION

ARTICLE 43 – Winding Up

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

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

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

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

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

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

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

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Shares remain negotiable until the completion of liquidation.

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

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

TITLE X

DISPUTES

ARTICLE 44 – Disputes

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

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

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