

INNATE PHARMA

Société Anonyme

117, avenue de Luminy
BP 30191
13276 Marseille Cedex 9

Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2017

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This is a free translation into English of the statutory auditors' special report on regulated agreements and commitments issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Innate Pharma Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have identified during the course of our audit, as well as the reasons justifying that such agreements and commitments are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Furthermore, it is our responsibility, as applicable, to provide you with the information stipulated in Article R. 225-58 of the French Commercial Code concerning the performance over the past fiscal year of the agreements and commitments previously approved by the Shareholders' Meeting.

We carried out the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE SHAREHOLDERS' MEETING FOR APPROVAL

Agreements and commitments authorized during the fiscal year

Pursuant to Article L. 225-88 of the French Commercial Code, we have been advised of the following agreements and commitments which were previously approved by your Supervisory Board.

Acquisition of C5aR from Novo Nordisk A/S

Nature and purpose: on June 2, 2017, Innate Pharma entered into a contribution in kind agreement with Novo Nordisk A/S under which Novo Nordisk A/S undertook to transfer to the Company by way of a contribution (the "Contribution") all the shares held by Novo Nordisk A/S in NN C5aR S.A.S, a company that was set up so that Innate Pharma could acquire the exclusive development and commercial rights to the anti-C5aR antibody. Prior to completion of the Contribution, Novo Nordisk A/S transferred to NN C5aR all rights and proceeds relating to the anti-C5aR antibody (which became the IPH5401 program) in accordance with a license agreement governing the subsequent rights and obligations of the parties. The Company then absorbed this subsidiary and became a party to the license agreement.

Reasons: this acquisition has enabled Innate Pharma to strengthen its proprietary pipeline with the acquisition of anti-C5aR (which became the IPH5401 program), a clinical-stage antibody, which could be subject to clinical trials in oncology in 2018.

Terms and conditions: The terms of the agreement provide for an upfront payment of €40 million, of which €37.2 million will be paid in the form of new Innate Pharma shares and €2.8 million will be paid in cash. Novo Nordisk A/S is eligible for milestone payments relating to the achievement of growth targets for up to €370 million and double digit royalties on future net sales.

In connection with the transaction described above, the following agreements were entered into with Novo Nordisk A/S:

- (i) A contribution in kind agreement dated June 2, 2017
- (ii) An exclusive license agreement dated July 4, 2017

- (iii) A side letter dated June 23, 2017 under which Innate Pharma and Novo Nordisk A/S agreed on the transaction terms and the payment by Innate Pharma of some external advisory costs and costs relating to the manufacturing of a first batch
- (iv) An indemnity agreement dated July 13, 2017

Agreement concluded with Novo Nordisk A/S under the NKG2A transaction

Nature and purpose: on December 8, 2017, Innate Pharma entered into an agreement with Novo Nordisk A/S to deal with the tax implications of the NKG2A transaction.

Reason: clarification of tax implications for the parties to the NKG2A transaction.

Terms and conditions: Innate Pharma shall assist Novo Nordisk A/S in dealing with the French tax authorities. Novo Nordisk A/S shall cooperate and provide all the documentation required to secure payment to the French tax authorities.

Manufacturing agreement concluded with Novo Nordisk A/S

Nature and purpose: on December 13, 2017, Innate Pharma and Novo Nordisk A/S entered into an agreement under which Novo Nordisk A/S agreed to manufacture additional batches of C5aR.

Reason: this agreement enables Innate Pharma to obtain C5aR batches more easily, at a cost in line with those of other CMOs (contract manufacturing organizations).

Terms and conditions: Novo Nordisk A/S shall invoice Innate Pharma an estimated amount of €2,349,000 before tax. Your Company did not bear any related expense for the year ended December 31, 2017.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in previous years with continuing effect during the past fiscal year

In accordance with Article R. 225-57 of the French Commercial Code, we have been advised that the following agreements and commitments approved in previous years by the Shareholders' Meeting have had continuing effect during the past fiscal year.

Agreement concluded with Mr. Hervé Brailly as Chairman of the Supervisory Board

On December 14, 2016, with effect as from December 30, 2016, the Supervisory Board decided to entrust Mr. Hervé Brailly with the special duty of managing the transition with the new Innate Pharma executive team and providing strategic advice in addition to his functions as Chairman of the Supervisory Board under Article L. 225-84 of the French Commercial Code.

Mr. Hervé Brailly received a gross compensation of €100,000 in 2017 for carrying out this duty.

On December 13, 2017, this special duty was extended by the Supervisory Board to December 31, 2018. For the fiscal year ending December 31, 2018, Mr. Hervé Brailly will receive an annual fixed gross compensation of €100,000.

Agreements concluded with Mr. Mondher Mahjoubi as Chairman of the Executive Board

Article 83:

Mr. Mondher Mahjoubi has an “Article 83” pension contract with France Vie, with a contribution amounting to 2% of his gross compensation, of which 1.20% is borne by Innate Pharma.

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

Company car:

Mr. Mondher Mahjoubi uses a company car under a long-term lease. This generated costs of €1,947 in 2017.

Accommodation:

For 2017, Innate Pharma paid a portion of Mr. Mondher Mahjoubi’s accommodation costs in the amount of €6,026. In accordance with Mr. Mondher Mahjoubi’s mandate agreement, the reimbursement of such costs ended on June 30, 2017.

Non-competition and non-solicitation undertaking:

The mandate agreement concluded on December 30, 2016 between Mr. Mondher Mahjoubi and Innate Pharma provides for the payment of lump sum compensation equivalent to two years of fixed and variable compensation in consideration of his non-competition and non-solicitation clauses, to be paid monthly for 24 months as from the date on which he will no longer be Chairman of the Executive Board.

No payment was made in respect of this compensation during the fiscal year ended December 31, 2017.

Agreements concluded with Mr. Yannis Morel as Executive Board member

Compensation:

Mr. Yannis Morel received a fixed monthly salary of €15,000 over the six-month period from January to June 2017 and of €18,000 over the six-month period from July to December 2017 under his employment contract.

In 2018, Mr. Yannis Morel will receive an individual bonus of €46,305 for 2017.

Article 83:

Mr. Yannis Morel also has an “Article 83” pension contract with France Vie, with a contribution amounting to 2% of his gross compensation, of which 1.20% is borne by the Company.

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

Company car:

Mr. Yannis Morel uses a company car under a long-term lease. This generated costs of €1,800 in 2017.

Agreements concluded with Mr. Nicolai Wagtmann as Executive Board member until June 23, 2017

Compensation:

Mr. Nicolai Wagtmann received a fixed monthly salary of €15,000 over the six-month period from January to June 2017 under his employment contract.

Mr. Nicolai Wagtmann resigned from his functions as Chief Science Officer (CSO) and his mandate as Executive Board member on June 23, 2017. He did not receive any individual bonus under his employment contract in 2017.

School allowance:

In 2017, Mr. Nicolai Wagtmann obtained a school allowance reimbursement of €7,713.

Article 83:

Mr. Nicolai Wagtmann also has an “Article 83” pension contract with France Vie, with a contribution amounting to 2% of his gross compensation, of which 1.20% was borne by Innate Pharma.

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

Company car:

Over the period from January to June 2017, Mr. Nicolai Wagtmann used a company car under a long-term lease. This generated costs of €1,750 in 2017.

Agreement concluded with Novo Nordisk A/S as shareholder

Collaboration agreement:

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

Amendment No.1 was signed on October 6, 2008, with the main purpose being to give Innate Pharma exclusive rights for development and commercialization of the drug candidate IPH 2101.

Amendment No. 2 was signed on October 6, 2008; under the terms of this amendment, Innate Pharma gave up milestone payments rights and royalties on sales of IPH 2301, another drug candidate licensed to Novo Nordisk A/S.

Amendment No. 3 of June 26, 2009 related to adjustments in the management of patents.

Amendment No. 4 was signed on December 16, 2010, modifying the scope of their respective development, without any financial impact.

Amendment No. 5 was signed on January 5, 2011 in order to update the list of patents.

Amendment No. 6 was signed on July 5, 2011 to align certain terms of the contract with the Bristol-Myers Squibb agreement signed by Innate Pharma on July 6, 2011.

Amendment No. 7 was signed on February 5, 2014 under which Novo Nordisk A/S sold to Innate Pharma the development and commercialization rights of Anti-NKG2A for €7.0 million, broken down into €2.0 million paid in cash and 600,000 Innate Pharma shares. Under Amendment No. 7, Innate Pharma agreed to reimburse Novo Nordisk A/S for the annual maintenance costs of an underlying license payable by Novo Nordisk A/S to a third party. Amendment No. 8 was signed on November 3, 2016 with retroactive effect to September 16, 2016, under which Innate Pharma and Novo Nordisk A/S agreed to adjust the terms of payment and precisely align Innate Pharma's obligations to reimburse Novo Nordisk A/S with the costs payable by Novo Nordisk A/S to that third party.

License agreement:

Novo Nordisk Health Care AG, a wholly-owned subsidiary of Novo Nordisk A/S, and Innate Pharma entered into a license agreement on December 9, 2013 under which Novo Nordisk Health Care AG granted Innate Pharma a co-exclusive license for patents relating to protein engineering.

Agreement concluded with Novo Nordisk A/S:

On March 24, 2016, Innate Pharma and Novo Nordisk A/S agreed on the amounts payable to Novo Nordisk A/S under the agreement entered into with AstraZeneca in April 2015. Under this agreement, Innate Pharma paid Novo Nordisk A/S an amount of €6.5 million. Moreover, if AstraZeneca pays the sum of USD 100 million provided under the contract entered into between Innate Pharma and AstraZeneca in April 2015, Innate Pharma shall pay an additional USD 15 million to Novo Nordisk A/S. On the date of this letter, regarding the uncertainty of the results, any future additional payment to Novo Nordisk A/S based on an additional payment of AstraZeneca is uncertain. However, if AstraZeneca does not make this additional payment or should the co-development and commercialization agreement with AstraZeneca be terminated for any reason, Innate Pharma shall pay Novo Nordisk A/S a portion of the balance of the initial research and development budget that has not yet been spent or committed. Nevertheless, on the date of this letter, given the uncertainty surrounding the development plans, the Company does not contemplate having to make such a payment to Novo Nordisk A/S.

Marseille, April 23, 2018

The Statutory Auditors

Audit Conseil Expertise SAS
Member of PKF International

Deloitte & Associés

Nicolas LEHNERTZ

Hugues DESGRANGES