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INNATE PHARMA ANNOUNCES ITS FINANCIAL RESULTS FOR 2006: SHARP INCREASE IN R&D ACTIVITIES (+75%), NOTABLY IN CLINICS

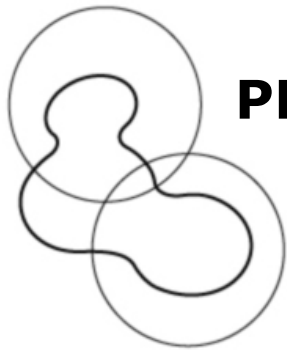
Marseilles, March 20, 2007

Innate Pharma SA (the "Company"), a biopharmaceutical company developing first-in-class drugs targeting the innate immune system, announces today its financial results for 2006. The key elements are as follows:

- A sharp increase in research and development expenses at 12.6 million euros in 2006 vs. 7.2 million euros in 2005, or +75%, with 5.1 million euros in clinical costs (to be compared with 1.5 million euros in 2005).
- Strong growth in operating income (8.5 million euros in 2006 vs. 2.4 million euros in 2005), which enabled the Company to maintain the net loss to a level similar to this of 2005, despite the sharp increase in expenses.
- A healthy balance sheet situation, with 59.8 million in cash and cash equivalent and 3.3 million in indebtedness, representing 3 to 4 years of cash under the current business plan.

The table below summarizes the IFRS financial statements for the fiscal year 2006, with a comparison to the fiscal year 2005:

In thousands of euros, except for data per share	2005	2006
Licensing revenue	1,300	6,195
Non-core services	-	7
Government financing for research expenditures	1,144	2,275
Operating revenue	2,444	8,477
Research and development	(7,224)	(12,648)
General and administrative	(1,635)	(3,069)
Net operating expenses	(8,859)	(15,717)
Operating income (loss)	(6,415)	(7,240)
Interest income/(expenses), net	286	1,198
Net loss	(6,129)	(6,042)
Average number of shares outstanding	14,900,680	17,768,676
Net loss per share	(0.41)	(0.34)
Cash, cash equivalents and financial instruments	18,342	59,823
Total assets	24,766	69,255
Net book value	20,065	56,369
Total financial debt	2,594	3,308



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Operating income:

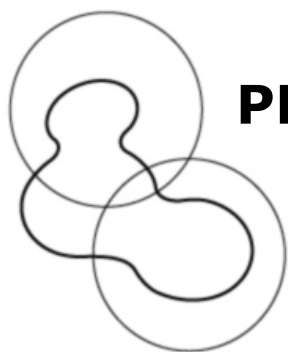
Operating income is slightly higher than previously announced on February 6, 2007, thanks to a higher research tax credit explained by (i) the adjustment by the annual revaluation index as published on February 8, 2007 by the French government and (ii) a late accreditation (in February 2007) of a supplier for 2006. The following table is the definitive version of the table released on February 6, 2007:

	Fiscal year ended on December 31	
In thousands of euros	2005	2006
Licensing revenue	1,300	6,195
Non-core services	-	7
Government funding for research costs	1,144	2,275
Operating revenue	2,444	8,477

The significant increase in licensing revenue between 2005 and 2006 is mostly explained by the signature of the strategic partnership with Novo Nordisk A/S in March 2006 (mutually exclusive partnership on the NK platform). The 2006 revenue in relation with this strategic partnership are broken down as:

- Research and development financing from January to December 2006,
- A lump sum payment on signing the agreement, fully paid in 2006 but spread in the accounts over three years, the initial duration of the research and development stage of the agreement, and
- A milestone payment at first clinical trial application for IPH 2101 (NN 1975), the most advanced product of the collaboration.

Government funding for research costs is mostly composed by research tax credit, which is dependent on research and development effort. The increase in research and development expenses between 2006 and 2005 resulted in a sharp increase in research tax credit (0.9 million euros in 2005 vs. 1.9 million euros in 2006), which explains most of the increase in government funding for research costs between 2005 and 2006.



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Net operating expenses, by business function:

The following table breaks the net operating expenses down per function for 2005 and 2006:

In thousands of euros	2005	2006
Research and development	(7,224)	(12,648)
General and administrative	(1,635)	(3,069)
Net operating expenses	(8,859)	(15,717)

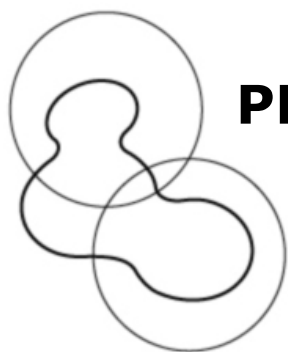
Research and development expenses include mostly R&D staff costs, product manufacturing costs, subcontracting costs (research, pre-clinical and clinical development) as well as costs of materials (reagents and other consumables) and pharmaceuticals products.

The sharp increase in R&D expenses between 2005 and 2006 (7.2 million euros in 2005 vs. 12.6 million euros in 2006, or +75%) reflects the increase in R&D activity, and notably the first full year of operations for the TLR platform in 2006 as well as the initiation of the Phase II clinical trials for IPH 1101. The clinical activity represented a total of 5.1 million euros in expenses in 2006, or 40% of the R&D costs, to be compared with 1.5 million euros in 2005, or 20% of the R&D costs.

R&D expenses accounted for 82% and 80% of net operating expenses in 2005 and 2006 respectively.

General and administrative ("G&A") expenses include mostly costs of the "support" staff, as well as external expenses for the management and development of our business (legal, auditing, business development, etc.). These costs amounted to 1.6 million euros and 3.1 million euros in 2005 and 2006 respectively.

G&A expenses accounted for 18% and 20% of net operating expenses in 2005 and 2006 respectively. This increase is mainly explained by the increase in staff costs as well as by external expenses notably in relation with business development matters.



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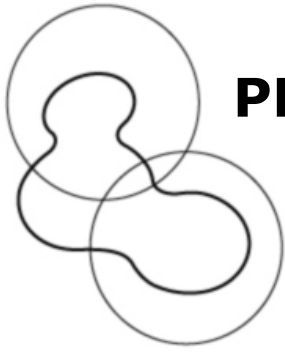
Net operating expenses, by nature:

The following table breaks the net operating expenses down per nature for 2005 and 2006:

In thousands of euros	Fiscal year ending	
	2005	2006
Costs of supplies and consumable materials	(944)	(2,201)
Intellectual property expenses	(489)	(943)
Other purchases and external expenses	(4,106)	(6,907)
Employee benefits costs	(2,795)	(4,053)
Share-based compensation	(214)	(1,187)
Depreciation and amortisation	(293)	(236)
Other income and expenses	(19)	(189)
Net operating expenses	(8,859)	(15,717)

Changes in most critical expenses per nature are explained as follows:

- Costs of supplies and consumable materials: the increase of these expenses between 2005 and 2006 (0.9 million euros in 2005 vs. 2.2 million euros in 2006, or +133%) is mostly explained by the increase in consumption of the IPH 1101 drug product following the start of the Phase clinical trials program in the second part of 2006, as well as by the increase in consumable materials (mostly lab materials) in conjunction with the growth of R&D staff (from 36.5 persons in average in 2005 to 46.0 persons in average in 2006).
- Other purchases and external expenses: the increase of these expenses between 2005 and 2006 (4.1 million euros in 2005 vs. 6.9 million euros in 2006, or +68%) is mostly explained by the sharp increase in subcontracting expenses (2.4 million euros in 2005 vs. 4.1 million euros in 2006, or +70%). The clinical subcontracting (trial management) accounted for 2.9 million euros in 2006, vs. 0.7 million euros in 2005. This is mostly explained by the initiation of the Phase II clinical trials program for IPH 1101 (the first Phase II trial, in renal cancer, started in 2006).
- Employee benefits costs: the increase of these expenses between 2005 and 2006 (2.8 million euros in 2005 vs. 4.1 million euros in 2006, or +45%) is mostly explained by the growth in headcount (47.5 persons in average in 2005 vs. 60.5 persons in average in 2006).
- The share-based compensation (non cash expenses based on IFRS 2 calculation) increased following the distribution of free shares to the personnel in 2006.



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Balance sheet items:

Cash, cash equivalent and current financial instruments amounted to 59.8 million euros as at December 31, 2006, compared to 18.3 million euros as at December 31, 2005. Based on 26.0 million shares outstanding as at December 31, 2006, the per share cash, cash equivalent and current financial instruments amounted to 2.4 euros per share as at that date. The cash, cash equivalent and current financial instruments as at December 31, 2006 should enable the Company to finance 3 to 4 years of activity based on its current business plan (i.e. excluding any significant business expansion through in-licensing or acquisition).

Since its inception in 1999, the Company has been primarily financed by issuing new securities. The Company also generated cash flow from its licensing activity (mostly in relation with the agreements with Novo Nordisk A/S) and from repayable government financing (Oséo-Anvar). Repayable government financing amounted to 3.3 million euros as at December 31, 2006, accounted as financial debt.

The other key balance sheet items as at December 31, 2006 were as follows:

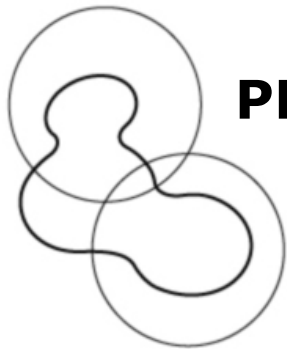
- Prepaid consumables amounted 1.7 million euros (1.5 million euros as at December 31, 2005). These are drug substances, drug products or materials paid for but not yet consumed as at closing date;
- Receivable from the French government on research tax credits (for the years 2003, 2004, 2005 and 2006) amounted to 4.7 million euros;
- Prepaid income amounted to 5.4 million euros, including 5.0 million euros in relation with the strategic agreement signed with Novo Nordisk A/S in March 2006.

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"Strong growth in our research and development activity, an notably the growing importance of the clinical trial management activity, characterize our accounts for 2006", said Hervé Brailly, CEO of Innate Pharma. He added: "This is clearly the sign that our portfolio of drug candidates is maturing and that we managed to deliver on our business plan in 2006".

"We ended up the year with 3 to 4 years of cash on hand based on our current business plan", said Stéphane Boissel, EVP and CFO of Innate Pharma. He added: "This favourable situation could enable us to seize one or more of the expansion opportunities we are currently considering without putting at risk the financing of existing operations".



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Key achievements in 2006 (reminder):

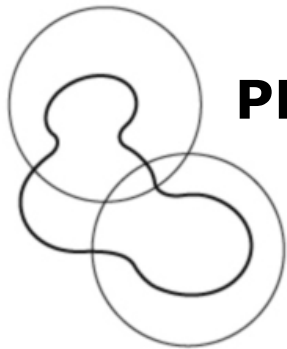
- Execution of a mutually exclusive strategic agreement with Novo Nordisk A/S on the « NK » platform of product;
- Publication of Phase I data for IPH 1101 (« T $\gamma\delta$ » platform) and initiation of the Phase II program, with a first trial in renal cancer;
- Acquisition of IPR from Schering-Plough and collaboration with Institut Gustave-Roussy (« IGR ») to consolidate the TLR platform;
- M1 milestone (initiation of pre-clinical and pharmaceutical development) with the drug candidate IPH 1201 (second generation product of the « T $\gamma\delta$ » platform);
- Exclusive license given to Clinical Data Inc. for the development of a predictive test for the treatment by monoclonal antibodies.

Perspectives for 2007:

- Acceleration of the Phase II program with IPH 1101, with five Phase II trials, and notably a first trial outside of cancer, in HCV;
- Discussions for new strategic business alliances, in the like of the one executed with Novo Nordisk A/S;
- Continuation of efforts to expand the business through internal R&D (new projects) and/or acquisition of products and technologies.

Precisions:

Financial statements (excluding notes) according to IFRS accounting standards are attached to this press release. Financial statements according to French accounting standards will be published in the French official bulletin BALO on March 30, 2007. Financial statements will be submitted for approval to the annual general meeting of shareholders on June 26, 2007. Innate Pharma expects the AMF to register its "Document de Référence", including notes to these financials statements, for the end of March or the beginning of April 2007. Upon registration by AMF, the "Document de Référence" will be downloadable from the Company's website. Hardcopy of the document could be requested from the Company (see the contact details at the end of this press release).



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About Innate Pharma:

Founded in 1999 and funded by reference venture capitalists up to its IPO on Euronext in Paris in 2006, Innate Pharma S.A. (Euronext Paris: FR0010331421 – IPH) is a biopharmaceutical company developing first-in-class* drugs targeting innate immunity.

The pioneering work of Innate Pharma's scientific founders and research groups has led to the development of three product platforms (gamma delta T cells, NK cells and TLR), each directly or indirectly validated in clinical oncology settings.

Besides cancer, Innate Pharma's drug candidates have development potential in the treatment of infectious disease and chronic inflammation. The company's most advanced molecule is in Phase II clinical trials in cancer.

With its strong scientific position in innate immunity pharmacology, its robust intellectual property portfolio and its R&D expertise, Innate Pharma intends to become a leading player in the rapidly growing market of immunotherapeutics.

Based in Marseilles, France, Innate Pharma had 67 employees as at December 31, 2006.

Learn more about Innate-Pharma at www.innate-pharma.com

Practical Information about Innate Pharma shares:

ISIN code	FR0010331421
Ticker code	IPH

Disclaimer:

This press release, and the information contained herein, does not constitute an offer to sell or a solicitation of an offer to buy or subscribe for shares in Innate Pharma in any country.

For any additional information, please contact:

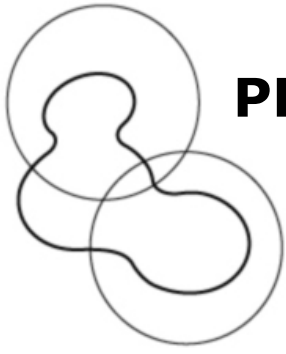
Innate Pharma

Stéphane Boissel, EVP and CFO
Tel. : +33 (0)4 96 19 05 58
stephane.boissel@innate-pharma.fr

Alize Public Relations

Caroline Carmagnol
Tel. : +33 (0)6 64 18 99 59
caroline.carmagnol@wanadoo.fr

* with new mechanisms of action.



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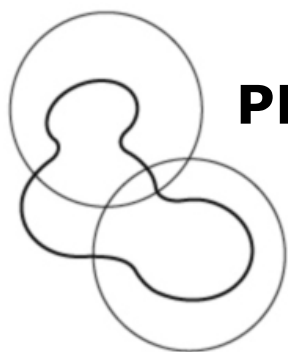
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APPENDIX

Innate Pharma SA

Financial statements as at December 31, 2006. Fiscal year 2006

The balance sheet, income statement and statement of cash flows are established in accordance with IFRS.

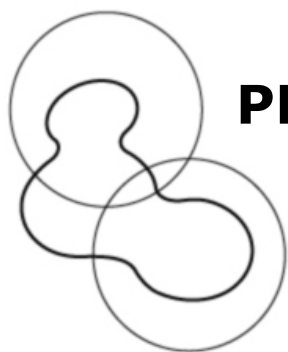


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Balance Sheet (in thousands of euros)

	December 31		
	2004 Restated	2005	2006
Assets			
Current Assets			
Cash and cash equivalents	11,015	2,585	6,159
Current financial instruments	14,210	15,757	53,664
Current receivables and prepayments	1,598	2,866	4,450
Total current assets	26,823	21,209	64,273
Non-current assets			
Non-current receivables	2,534	2,792	3,765
Property, plant and equipment	920	707	774
Other fixed assets	28	59	442
Total non-current assets	3,481	3,558	4,982
Total assets	30,305	24,766	69,255
Liabilities			
Current liabilities			
Trade payables	2,139	2,030	9,452
Borrowings	23	169	585
Provisions	61	61	-
Total current liabilities	2,223	2,260	10,037
Non-current liabilities			
Conditional subsidies and grants	1,750	2,015	-
Borrowings	573	411	2,723
Pension benefits	8	16	126
Total non-current liabilities	2,331	2,442	2,849
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	745	745	1,249
Share premium	38,875	39,089	81,265
Retained earnings	(9,351)	(14,084)	(20,213)
Net loss	(4,733)	(6,129)	(6,042)
Other comprehensive income	215	444	110
Total capital and reserves attributable to equity holders of the Company	25,751	20,065	56,369
Total liabilities and equity	30,305	24,766	69,255

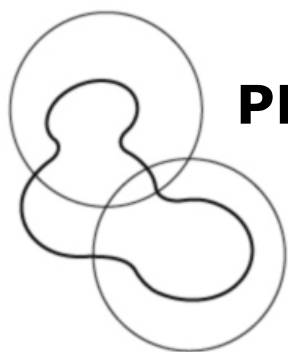


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Income Statement (in thousands of euros)

	Years ended December 31		
	2004 Restated	2005	2006
Licensing revenue	2,110	1,300	6,195
Non-core services	-	-	7
Government financing for research expenditure	943	1,144	2,275
Operating revenue	3,053	2,444	8,477
Cost of supplies and consumable materials	(1,191)	(944)	(2,201)
Intellectual property expenses	(507)	(489)	(943)
Other purchases and external expenses	(3,835)	(4,106)	(6,907)
Employee benefits other than share-based compensation	(2,006)	(2,795)	(4,053)
Share-based compensation	(99)	(214)	(1,187)
Depreciation and amortisation	(275)	(293)	(236)
Other income and expenses, net	(163)	(19)	(189)
Net operating expenses	(8,075)	(8,859)	(15,717)
Operating income / (loss)	(5,022)	(6,415)	(7,240)
Interest income / (expense), net	289	286	1,198
Income / (loss) before tax	(4,733)	(6,129)	(6,042)
Income tax expense	-	-	-
Net loss	(4,733)	(6,129)	(6,042)
Loss per share attributable to the equity holders of the Company:			
(in € per share)			
- basic	(0.36)	(0.41)	(0.34)
- diluted	(0.36)	(0.41)	(0.34)

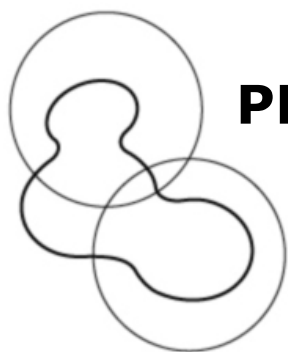


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Income Statement by function (in thousands of euros)

	Years ended December 31		
	2004 Restated	2005	2006
Licensing revenue	2,110	1,300	6,195
Non-core services	-	-	7
Government financing for research expenditure	943	1,144	2,275
Operating revenue	3,053	2,444	8,477
Research and Development	(6,921)	(7,224)	(12,648)
General and Administrative	(1,154)	(1,635)	(3,069)
Net operating expenses	(8,075)	(8,859)	(15,717)
Operating income / (loss)	(5,022)	(6,415)	(7,240)
Interest income / (expense), net	289	286	1,198
Net loss	(4,733)	(6,129)	(6,042)



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Statement of cash flows (in thousands of euros)

	Years ended December 31		
	2004 Restated	2005	2006
Cash flows from operating activities			
Net loss	(4,733)	(6,129)	(6,042)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortisation	275	301	298
Provisions	126	-	49
Share-based compensation	99	214	1,187
Gains and losses on asset disposals	22	-	-
Changes in working capital	(292)	(1,635)	4,868
Other items not included in operating activities	6	(6)	2
Net cash generated from / (used in) operating activities	(4,497)	(7,255)	363
Cash flows from investing activities			
Acquisition of fixed assets	(328)	(111)	(751)
Disposal / (purchase) of current financial instruments	(13,995)	(1,318)	(38,241)
Net cash used in investing activities	(14,323)	(1,430)	(38,992)
Cash flows from financing activities			
Net proceeds from issuance of share capital	14,923	-	41,493
Increase in indebtedness	37	265	881
Debt repayment	-	(16)	(169)
Net cash generated from financing activities	14,960	249	42,206
Changes in cash and equivalents not arising from cash flows	(6)	6	(2)
Net increase / (decrease) in cash and cash equivalents	(3,867)	(8,430)	3,574
Cash and cash equivalents at the beginning of the year	14,882	11,015	2,585
Cash and cash equivalents at the end of the year	11,015	2,585	6,159