

Innate Pharma SA

Financial statements as at December 31, 2005.

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

To access to the notes to IFRS accounts as well as to the financial statements in accordance with French GAAP, please refer to paragraph 20, section Information about the Company, in our International Offering Memorandum.

Balance Sheet
(in thousands of euros)

At December 31

	2003 Restated	2004 Restated	2005
Assets			
Current Assets			
Cash and cash equivalents	14,882	11,015	2,585
Current financial instruments	-	14,210	15,757
Current receivables and prepayments	2,329	1,598	2,866
Total current assets	17,211	26,823	21,209
Non current assets			
Non-current receivables	1,637	2,534	2,792
Property, plant and equipment	890	920	707
Other fixed assets	26	28	59
Total non-current assets	2,553	3,481	3,558
Total assets	19,763	30,305	24,766
Liabilities			
Current liabilities			
Trade payables	2,143	2,139	2,030
Borrowings	4	23	169
Provisions	61	61	61
Total current liabilities	2,208	2,223	2,260
Non current liabilities			
Conditional subsidies and grants	1,750	1,750	2,015
Borrowings	556	573	411
Pension benefits	3	8	16
Total non-current liabilities	2,309	2,331	2,442
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	526	745	745
Share premium	24,072	38,875	39,089
Retained earnings	(4,341)	(9,351)	(14,084)
Net loss	(5,011)	(4,733)	(6,129)
Other comprehensive income	-	215	444
Total capital and reserves attributable to equity holders of the Company	15,246	25,751	20,065
Total liabilities and equity	19,763	30,305	24,766

Income Statement
(in thousands of euros)

	Year ended December 31		
	2003 Restated	2004 Restated	2005
Licensing revenue	240	2,110	1,300
Government financing for research expenditure	1,061	943	1,144
Operating revenue	1,301	3,053	2,444
Cost of supplies and consumable materials	(890)	(1 191)	(944)
Intellectual property expenses	(365)	(507)	(489)
Other purchases and external expenses	(3,090)	(3,835)	(4,106)
Employee benefits other than share-based compensation	(1,991)	(2,006)	(2,795)
Share-based compensation	(99)	(99)	(214)
Depreciation and amortization	(295)	(275)	(293)
Other income and expenses, net	27	(163)	(19)
Net operating expenses	(6,703)	(8,075)	(8,859)
Operating income / (loss)	(5,402)	(5,022)	(6,415)
Interest income / (expense), net	391	289	286
Income / (loss) before tax	(5,011)	(4,733)	(6,129)
Income tax expense	-	-	-
Net loss	(5,011)	(4,733)	(6,129)
(in €per share)			
- basic	(0.48)	(0.36)	(0.41)
- diluted	(0.48)	(0.36)	(0.41)

Income Statement by function
(in thousands of euros)

	Year ended December 31		
	2003 Restated	2004 Restated	2005
Licensing revenue	240	2,110	1,300
Government financing for research expenditure	1,061	943	1,144
Operating revenue	1,301	3,053	2,444
Research and Development	(5,789)	(6,921)	(7,224)
General and Administrative	(914)	(1,154)	(1,635)
Net operating expenses	(6,703)	(8,075)	(8,859)
Operating income / (loss)	(5,402)	(5,022)	(6,415)
Interest income / (expense), net	391	289	286
Net loss	(5,011)	(4,733)	(6,129)

Statement of cash flows
(in thousands of euros)

	Year ended December 31		
	2003 Restated	2004 Restated	2005
Cash flows from operating activities			
Net loss	(5,011)	(4,733)	(6,129)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortisation	235	275	301
Provisions	(3)	126	-
Share-based compensation	99	99	214
Gains and losses on asset disposals	81	22	-
Changes in working capital	(577)	(292)	(1,635)
Foreign exchange (gain) / loss on bank account in USD	75	6	(6)
Net cash used in operating activities	(5,101)	(4,497)	(7,255)
Cash flows from investing activities			
Acquisition of fixed assets	(205)	(328)	(111)
Sale / (Purchase) of current financial instruments	-	(13,995)	(1,318)
Sale / (Purchase) of held-to-maturity financial assets	501	-	-
Net cash generated from / (used in) investing activities	295	(14,323)	(1,430)
Cash flows from financing activities			
Net proceeds from issuance of share capital	-	14,923	-
Increase in indebtedness	853	37	265
Debt repayment	(134)	-	(16)
Net cash generated from financing activities	719	14,960	249
Exchange gains / (losses) on cash and cash equivalents	(75)	(6)	6
Net decrease in cash and cash equivalents	(4,161)	(3,867)	(8,430)
Cash and cash equivalents at the beginning of the year	19,043	14,882	11,015
Cash and cash equivalents at the end of the year	14,882	11,015	2,585