

## PRESS RELEASE

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### **INNATE PHARMA S.A. ANNOUNCES ITS FINANCIAL RESULTS FOR THE FIRST HALF OF 2006**

**Marseille, August 30, 2006**

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Innate Pharma S.A. ([www.innate-pharma.com](http://www.innate-pharma.com)), a biopharmaceutical company specialized in immunology and developing new drug classes targeting innate immunity, with an initial focus in cancer, announced today its results for the six months ended June 30, 2006.

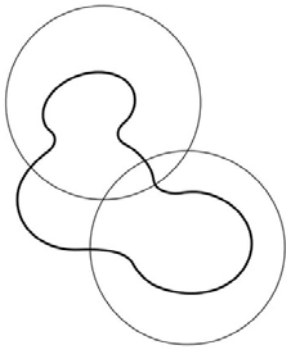
The balance sheet, income statement and statement of cash flows in accordance with IFRS are annexed to this press release.

The key data are as follows:

- Operating revenue increased to 2.7 million euros compared to 1.4 million euros for the first six months of 2005; this variation can be principally explained by the strategic collaboration and licensing agreement executed with the Danish group Novo Nordisk A/S in March 2006.
- Net operating expenses increased to 6.9 million euros compared to 4.2 million euros for the first six months of 2005; this variation (plus 2.7 million euros) can be principally explained by the increase in research and development expenses (plus 1.9 million euros to 5.4 million euros for the first six months of 2006).
- An operating loss of 4.1 million euros, compared to a loss of 2.7 million euros for the first six months of 2005.
- A net loss of 3.7 million euros, compared to a loss of 2.5 million euros for the first six months of 2005.
- Current cash investments and financial instruments were 33.6 million euros as of June 30, 2006, while financial debts (mainly conditional subsidies from Oséo-Anvar) were 3.4 million euros as of June 30, 2006.

*"Growth in our research and development activity, with the initiation of our first Phase II trial for IPH 1101 in renal cancer as well as the continuing investments in our other programs, can be seen in our financials for the first six months of 2006", stated Stéphane Boissel, CFO and member of the Executive Board of Innate Pharma. "Moreover, the strategic agreement executed in March 2006 with Novo Nordisk A/S relating to our NK platform provides us with a solid balance sheet as well as a certain visibility over our operating revenue in the short and mid terms".*

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### About Innate Pharma

Founded in 1999, Innate Pharma S.A. is a biopharmaceutical company in clinical stage, developing "First in class\*" drug candidates targeting the innate immune system. The pioneering work of Innate Pharma's scientific founders and its team led to three product platforms – each with indirect clinical validation in oncology. Taking into account their mechanisms of action, Innate Pharma's drug candidates also present a potential development outside oncology, particularly in the control of viral infections and chronic inflammation related to auto-immune pathologies. As a result of its scientific position in innate immunity pharmacology, its intellectual property portfolio and its know-how in R&D, Innate Pharma aims to become a leader in the rapidly growing immunotherapy market. Innate Pharma has raised approximately 50 million euros in three rounds of financing (2000, 2002, and 2004) plus a reserved capital increase for its partner, Novo Nordisk A/S, in a deal closed on March 29, 2006. In addition to Novo Nordisk A/S, investors in Innate Pharma are reference biotechnology investors, including: Sofinnova Partners (France), Alta Partners (USA), GIMV (Belgium), Auriga Partners (France), INSERM Transfert (France), Gilde Healthcare (the Netherlands), Pechel Industries (France), Innoveris (France), NIF (Japan), and Quilvest (France). Based in Marseille, France, Innate Pharma's R&D activities in immunotherapy are ISO 9001:2000 certified (since 2005). As of August 30, 2006, Innate Pharma had 66 employees, including 16 Doctors in Science, Medicine and Pharmacy. More than 70% of Innate Pharma's staff is involved in R&D activities.

*\*with new mechanisms of action.*

For further information, visit [www.innate-pharma.com](http://www.innate-pharma.com)

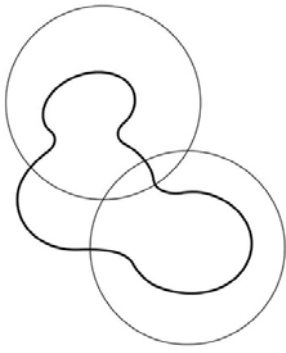
*This press release, and the information contained herein, does not constitute an offer to sell or a solicitation of an offer to buy or subscribe for shares in Innate Pharma in any country. No offer to sell shares in Innate Pharma has been made, nor will be made, prior to the official approval by the Autorité des Marchés Financiers (AMF) of a prospectus.*

*Shares in Innate Pharma may not be sold in the United States of America (as defined under Regulation S of the U.S. Securities Act of 1933, as amended) absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended.*

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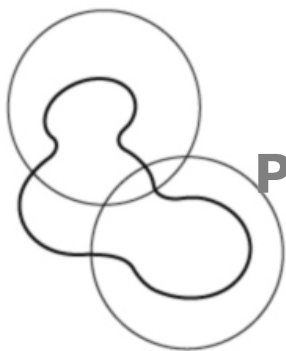
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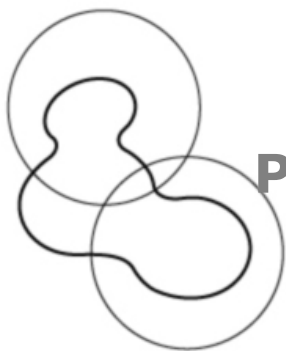
# PRESS RELEASE APPENDIX

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## BALANCE SHEET

(in thousands of euros)

	<b>December 31, 2005</b>	<b>June 30 , 2006</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,585	19,112
Current financial instruments	15,757	14,444
Current receivables and prepayments	2,866	3,533
<b>Total current assets</b>	<b>21,209</b>	<b>37,089</b>
<b>Non-current assets</b>		
Non-current receivables	2,792	2,547
Property, plant and equipment	707	819
Other fixed assets	59	49
<b>Total non-current assets</b>	<b>3,558</b>	<b>3,414</b>
<b>Total assets</b>	<b>24,766</b>	<b>40,503</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Trade payables	2,030	7,988
Borrowings	169	383
Provisions	61	-
<b>Total current liabilities</b>	<b>2,260</b>	<b>8,371</b>
<b>Non-current liabilities</b>		
Trade payables	-	3,208
Conditional subsidies and grants	2,015	2,724
Borrowings	411	274
Pension benefits	16	106
<b>Total non-current liabilities</b>	<b>2,442</b>	<b>6,312</b>
<b>Equity</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	745	857
Share premium	39,089	48,703
Retained earnings	(14,084)	(20,173)
Net loss for the year or the period	(6,129)	(3,739)
Other comprehensive income	444	172
<b>Total capital and reserves attributable to equity holders of the Company</b>	<b>20,065</b>	<b>25,820</b>
<b>Total liabilities and equity</b>	<b>24,766</b>	<b>40,503</b>



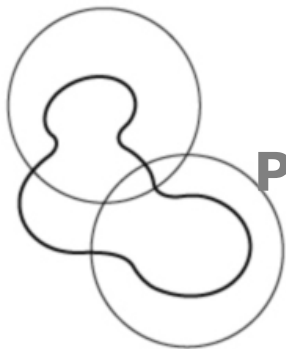
## PRESS RELEASE APPENDIX

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### INCOME STATEMENT

(in thousands of euros)

	<b>6-month period ended June 30,</b>	<b>accounting period ended June 30,</b>
	<b>2005</b>	<b>2006</b>
Licensing revenue	900	1,908
Government financing for research expenditure	519	838
<b>Operating revenue</b>	<b>1,419</b>	<b>2,746</b>
Cost of supplies and consumable materials	(595)	(900)
Intellectual property expenses	(233)	(582)
Other purchases and external expenses	(2,024)	(2,934)
Employee benefits other than share-based compensation	(1,114)	(1,785)
Share-based compensation	(29)	(451)
Depreciation and amortisation	(150)	(157)
Other income and expenses, net	(22)	(82)
<b>Net operating expenses</b>	<b>(4,167)</b>	<b>(6,890)</b>
<b>Operating income / (loss)</b>	<b>(2,748)</b>	<b>(4,144)</b>
Interest income / (expense), net	224	405
<b>Income / (loss) before tax</b>	<b>(2,524)</b>	<b>(3,739)</b>
Income tax expense	-	-
<b>Net loss</b>	<b>(2,524)</b>	<b>(3,739)</b>
<b>Loss per share attributable to the equity holders of the Company:</b>		
(in € per share)		
- basic	(0.17)	(0.23)
- diluted	(0.17)	(0.23)



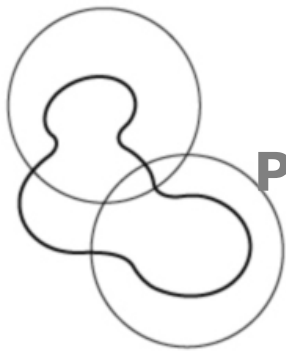
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### INCOME STATEMENT BY FUNCTION

(in thousands of euros)

	<b>6-month period ended June 30,</b>	<b>accounting period ended June 30,</b>
	<b>2005</b>	<b>2006</b>
Licensing revenue	900	1,908
Government financing for research expenditure	519	838
<b>Operating revenue</b>	<b>1,419</b>	<b>2,746</b>
Research and Development	(3,446)	(5,375)
General and Administrative	(721)	(1,514)
<b>Net operating expenses</b>	<b>(4,167)</b>	<b>(6,890)</b>
<b>Operating income / (loss)</b>	<b>(2,748)</b>	<b>(4,144)</b>
Interest income / (expense), net	224	405
<b>Net loss</b>	<b>(2,524)</b>	<b>(3,739)</b>



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## STATEMENT OF CASH FLOWS

(in thousands of euros)

	<b>6-month period ended June 30, 2005</b>	<b>accounting period ended June 30, 2006</b>
<b>Cash flows from operating activities</b>		
Net loss	(2,524)	(3,739)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortisation	150	157
Provisions	-	29
Share-based compensation	29	451
Changes in working capital	(202)	8,146
Other items not included in operating activities	(110)	(356)
<b>Net cash generated from / (used in) operating activities</b>	<b>(2,657)</b>	<b>4,688</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(54)	(249)
Disposal / (purchase) of current financial instruments	(3,821)	1,340
<b>Net cash generated from / (used in) investing activities</b>	<b>(3,875)</b>	<b>1,091</b>
<b>Cash flows from financing activities</b>		
Gross proceeds from issuance of share capital	-	10,000
Fees on issuance of share capital	-	(51)
Costs attributable to issuance of share capital in progress	-	(633)
Changes in working capital from financing activities	-	589
Increase in indebtedness	265	791
Debt repayment	(10)	(5)
<b>Net cash generated from financing activities</b>	<b>255</b>	<b>10,691</b>
Changes in cash and equivalents not arising from cash flows	(54)	57
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(6,331)</b>	<b>16,527</b>
Cash and cash equivalents at the beginning of the period	11,015	2,585
<b>Cash and cash equivalents at the end of the period</b>	<b>4,684</b>	<b>19,112</b>