INNATE PHARMA

French *société anonyme* organised with a Supervisory board and an Executive board
Share capital of 2,700,537.70 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 23 JUNE 2017

(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:

- Approval of the financial statements for the 2016 financial year (Resolution n°1);
- Approval of the consolidated financial statements for the 2016 financial year (Resolution n°2);
- Allocation of earnings for the financial year (Resolution n°3);
- Related-party transactions (Resolution n°4);
- Related-party transactions – Mondher Mahjoubi's non-competition indemnity (Resolution n°5);
- Renewal of Hervé Brailly as member of the Supervisory board (Resolution n°6);
- Renewal of Gilles Brisson as member of the Supervisory board (Resolution n°7);
- Renewal of Irina Staatz Granzer as member of the Supervisory board (Resolution n°8);
- Renewal of Novo Nordisk A/S as member of the Supervisory board (Resolution n°9);
- Renewal of Véronique Chabernaud as member of the Supervisory board (Resolution n°10);
- Renewal of Patrick Langlois as member of the Supervisory board (Resolution n°11);
- Appointment of Bpifrance Participations as member of the Supervisory board (Resolution n°12);
- Appointment of Jean-Charles Soria as member of the Supervisory board (Resolution n°13);

- Appointment of Olivier Martinez as observer of the Supervisory board (Resolution n°14);
- Determination of attendance fees (*jetons de présence*) to be allocated to members of the Supervisory board (Resolution n°15);
- 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 Chairman of the Executive board (Resolution n°16);
- 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 Executive board members (Resolution n°17);
- 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 Chairman of the Supervisory board (Resolution n°18);
- 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 Supervisory board members (Resolution n°19);
- Consultation on compensation due or attributed under the financial year ended 31 December 2016 to Hervé Brailly, Chairman of the Executive board in office until 29 December 2016 (Resolution n°20);
- Consultation on compensation due or attributed under the financial year ended 31 December 2016 to Mondher Mahjoubi, Chairman of the Executive board in office from 30 December 2016 (Resolution n°21);
- Consultation on compensation due or attributed under the financial year ended 31 December 2016 to Catherine Moukheibir, Executive board member in office until 29 December 2016 (Resolution n°22);
- Consultation on compensation due or attributed under the financial year ended 31 December 2016 to Nicolai Wagtmann, Executive board member (Resolution n°23);
- Consultation on compensation due or attributed under the financial year ended 31 December 2016 to Yannis Morel, Executive board member (Resolution n°24); and
- Authorisation for the Company's purchase of its own shares (Resolution n°25).

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

- Authorisation granted to the Executive board to allocate existing or new free shares for the benefit of members of the Executive Committee (employed and/or executive officers) of the Company or its subsidiaries (Resolution n°26);
- Authorisation granted to the Executive board to allocate existing or new free shares for the benefit of employed members of the Executive committee and/or executive officers of the Company or its subsidiaries under their variable annual compensation (Resolution n°27);
- Authorisation 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°28);

- Modification of the by-laws to introduce a new category of 2017 Preference Shares convertible into ordinary shares in the Company's by-laws (Resolution n°29);
- Authorisation granted to the Executive board to allocate free 2017 Preference Shares convertible into ordinary shares of the Company for the benefit of employed directors, employed members of the Executive Committee and/or executive officers of the Company or its subsidiaries (Resolution n°30);
- Authorisation granted to the Executive board to allocate free 2017 Preference Shares convertible into ordinary shares of the Company for the benefit of employees of the Company or its subsidiaries (Resolution n°31);
- 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 members of a company savings plan (Resolution n°32);
- Delegation of authority granted to the Executive board for the purpose of cancelling all or part of the Company's treasury shares, acquired pursuant to the authorisation to repurchase shares (Resolution n°33); and
- Powers for formalities (Resolution n°34).

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.

SUMMARY

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 2016 (Resolutions n°1, 2 and 3)

(a) Financial statements for the financial year ended 31 December 2016

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 2016, 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 profit of 13,071,005 Euros under financial year ended 31 December 2016, against a net loss of 6,832,880 Euros under financial year ended 31 December 2015.

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 111,696 Euros in attendance fees (*jetons de présence*) paid to the members of the Supervisory board and 17,273 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 2016

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 2016, have been prepared in accordance with the IFRS standards.

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

The consolidated financial statements highlight a net profit of 12,640 thousand Euros under the financial year ended 31 December 2016, against a net loss of 6,706 thousand Euros under the financial year ended 31 December 2015.

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 Section 3 of the 2016 reference document of the Company, filed with the *Autorité des Marchés Financiers* on 31 March 2017 under the reference D.17-0282 (the "**Reference Document**").

(d) Proposition as regards the allocation of earnings

The profit of the financial year highlights, in light of the financial statements, a net profit of 13,071,005 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 97,946,630 Euros.

There will be no declaration of dividends under the financial year ended 31 December 2016.

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

2. Related-party transactions (Resolutions n°4 and 5)

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 concluded agreements performed during the past financial year.

The agreements and undertakings referred to under Article L.225-86 of the said Code that have been entered into during the financial year ended 2016 (except the non-competition indemnity commitment benefiting to Mr. Mahjoubi which is covered by a separate resolution (resolution n°5) as detailed thereafter) are as follows:

- **Agreement entered into with Mr. Hervé Brailly, Chairman of the Executive board in office until 29 December 2016**

  On 14 December 2016 but effective as from 30 December 2016, the Supervisory board entrusted Mr. Hervé Brailly with a special assignment under article L.225-84 of the French Commercial Code, in addition to his duties as Chairman of the Supervisory board, which will expire on 31 December 2017.

  This special assignment mainly consists in securing the transition with the new Innate Pharma management team and providing strategic advice.

  Under this assignment, Mr. Hervé Brailly will receive an annual gross fixed compensation of 100,000 Euros in 2017. No amount was paid in respect of this compensation in financial year 2016.

- **Agreement entered into with Mr. Mondher Mahjoubi, Chairman of the Executive board in office from 30 December 2016**

  On 14 December 2016 but effective as from 30 December 2016, and following his appointment as Chairman of the Executive board, Mr. Mondher Mahjoubi entered into a corporate officer agreement with Innate Pharma.

  This corporate officer agreement forms part of the Executive board's reorganisation that took place at the end of the financial year 2016.

  The terms of compensation included in this corporate officer agreement are as follows:

  - A lump-sum allowance equal to two years of fixed and variable compensation, in consideration for a non-compete and non-solicitation obligation, paid in monthly instalments over a period of 24 months as from the date on which he will no longer assume his duties as Chairman of the Executive board (which will be approved through a specific resolution); and

- An unemployment insurance agreement (*GSC*) to guarantee the payment of compensation in the event of unemployment. This agreement was implemented as from 30 December 2016 following the authorisation of the Supervisory board on 14 December 2016.

No amounts were paid under this corporate officer agreement in 2016.

- **<u>Agreement with Novo Nordisk A/S, shareholder: amendment to the exclusive licensing agreement</u>**

  By way of background, an amendment n°7 to the cooperation and exclusive licensing agreement dated 28 March 2006 (binding Novo Nordisk A/S and Innate Pharma for the development and commercialisation of IPH 2101) was signed on 5 February 2014. Under this amendment, Novo Nordisk A/S transferred to Innate Pharma the development and commercialisation rights of the NKG2A anti-body candidate and Innate Pharma undertook 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.

  An amendment n°8 to the cooperation and exclusive licensing agreement dated 28 March 2006 (binding Novo Nordisk A/S and Innate Pharma for the development and commercialisation of IPH 2101) was signed on 3 November 2016, with retroactive effect to 16 September 2016. Under this amendment, Novo Nordisk A/S and Innate Pharma agreed to adjust the payment terms and conditions and to align Innate Pharma's reimbursement obligations to Novo Nordisk A/S with the costs payable by Novo Nordisk A/S to the third party.

  The purpose of such agreement is to amend the annual reimbursement terms by indexing this amount to the Retail Price index, in order to align the amount payable with regards to the reimbursement paid by Innate Pharma to Novo Nordisk A/S with the amount payable by Novo Nordisk A/S to the relevant third party.

  Under amendment n°7, the Company paid Novo Nordisk A/S the sum of USD 98,888.92 in 2016 regarding the reimbursement of the annual maintenance costs for the license. No amount was paid in 2016 under amendment n°8.

- **<u>Agreement with Novo Nordisk A/S, shareholder: memorandum of understanding relating to the agreement entered into with MedImmune, a subsidiary of AstraZeneca</u>**

  On 24 March 2016, anagreement was entered into between Innate Pharma and Novo Nordisk A/S regarding the amounts payable to Novo Nordisk A/S under the agreement entered into concluded with MedImmune, a subsidiary of AstraZeneca in April 2015.

  The purpose of such agreement was to set an agreement between Innate Pharma and Novo Nordisk A/S concerning the amounts payable to Novo Nordisk A/S with respect to the agreement entered into with MedImmune, a subsidiary of AstraZeneca.

  Innate Pharma thus paid Novo Nordisk A/S the sum of € 6.5 million. Furthermore, if AstraZeneca pays the sum of USD 100 million as stipulated in the agreement entered into between Innate Pharma and AstraZeneca in April 2015, Innate Pharma will then have to pay additional USD 15 million to Novo Nordisk A/S. On the date of the Auditors special report on related-party agreements to the Shareholders' Meeting approving the financial statements for financial year 2016, considering the uncertain results, any additional future payment to Novo Nordisk A/S based on an additional payment by AstraZeneca is unlikely. However, if AstraZeneca does not make this additional payment or should the co-development and commercialisation agreement with AstraZeneca be terminated for whatever reason, Innate Pharma would then pay Novo Nordisk A/S a portion of the remaining R&D budget initially forecast and not yet spent or incurred. Nevertheless, on the date of the Auditors special report on related-party agreements to the Shareholders' Meeting approving the financial statements for financial year 2016, given the uncertainty surrounding the development plans, the Company does not plan to make such a payment to Novo Nordisk A/S.

The agreements referred to under Article L.225-86 of this Code that have been duly authorised and entered into during previous financial years and whose performance continued during the financial year ended 31 December 2016 are as follows:

- **Agreements entered into with Mr. Hervé Brailly, Chairman of the Executive board in office until 29 December 2016**

Compensation:

Under his employment contract, Mr. Hervé Brailly received a fixed monthly salary of 21,667 Euros over the six-month period from January to June 2016 and a fixed monthly salary of 25,000 Euros over the six-month period from July to December 2016 as well as 21,666 Euros as collective bonus for 2016. Furthermore, Mr. Hervé Brailly received in 2016 an individual bonus of 82,333 Euros and an exceptional bonus of 60,000 Euros for the 2015 period.

All the information concerning Mr. Hervé Brailly's compensation, as well as its evolution between the 2015 and 2016 financial years, appears in paragraph 2.2.2 and 2.2.3 of the Reference Document.

Defined pension plan under "Article 83":

Mr. Hervé Brailly also benefits from the pension contract "Article 83" with *AG2R La Mondiale* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The amount paid by the Company in the 2016 financial year amounted to 3,635 Euros.

Specific unemployment benefits for executive directors (*GSC*):

The purpose of this contract is to guarantee payment of compensation in the event of unemployment (up to 70% of the last professional income declared to the tax authority) of company executives and officers who are not eligible to claim French unemployment benefits (*ASSEDIC*). This contract was introduced with effect from 1 April 2006 following the Supervisory board's authorisation granted on 23 September 2005. The sum paid by the Company for the 2016 financial year amounted to 7,514 Euros.

Company car:

Mr. Hervé Brailly also benefits from a long-term company car rental contract, as agreed by the Compensation and Nomination Committee on 19 January 2007, that cost 1,860 Euros in the 2016 financial year.

- **<u>Agreements entered into with Mr. Nicolai Wagtmann, member of the Executive board</u>**

<u>Compensation:</u>

Under his employment contract, Mr. Nicolai Wagtmann received a fixed monthly salary of 13,494 Euros over the six-month period from January to June 2016 and a a fixed monthly salary of 15,000 Euros over the six-month period from July to December 2016 as well as a bonus of 13,333 Euros as collective bonus for 2016. In addition, in 2016, Mr. Nicolai Wagtmann received an individual bonus of 30,667 Euros for the 2015 period. Mr. Nicolai Wagtmann also benefited in 2016 from reimbursements of his children's school fees amounting to 16,158 Euros.

All the information concerning Mr. Nicolai Wagtmann's compensation, as well as its evolution between the 2015 and 2016 financial years, appears in paragraph 2.2.2 and 2.2.3 of the Reference Document.

<u>Defined pension plan under "Article 83":</u>

Mr. Nicolai Wagtmann also benefits from the pension contract "Article 83" with *AG2R La Mondiale* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The sum paid by the Company in the 2016 financial year amounted to 2,121 Euros.

<u>Company car:</u>

Mr. Nicolai Wagtmann also benefits from a long-term company car rental contract that cost 2,720 Euros in the 2016 financial year.

- **<u>Agreements entered into with Ms. Catherine Moukheibir, member of the Executive board in office until 29 December 2016</u>**

A consultancy agreement dated 18 April 2011 was entered into between the Company and Ms. Catherine Moukheibir to provide services from 1 March 2011 as Senior Finance Advisor.

Ms. Catherine Moukheibir provides her expertise in the development strategy of the Company and its financial information disclosure. She is also involved in the assessment of all strategic transactions of the Company.

This agreement was amended on 30 April 2011, and was twice extended for a 2 year period on 4 March 2013 then on 6 March 2015. The consultancy agreement extension was unanimously approved by the Supervisory board.

As such, the Company paid the amount of 264,004 Euros as consideration for the services performed between 1 January 2016 and 31 December 2016.

Following Ms. Catherine Moukheibir resignation from the Executive board, the consultancy agreement dated 6 March 2015 have been amended pursuant to an amendment n°1 dated 14 December 2016, effective as of 30 December 2016 for a 6-month period, *i.e.* until 30 June 2017.

Pursuant to such amendment, the mode of operation and duties of Ms. Catherine Moukheibir have been modified.

- **<u>Agreements entered into with Mr. Yannis Morel, member of the Executive board</u>**

Compensation:

Under his employment contract, Mr. Yannis Morel received a fixed monthly wage of 12,500 Euros over the six-month period from January to June 2015 and of 15,000 Euros over the six-month period from July to December 2015 as well as a bonus of 12,500 Euros as collective bonus for 2016. Mr. Yannis Morel also benefited in 2016 from a personal bonus of 23,500 Euros and an exceptional bonus of 50,000 Euros for the 2015 period.

All the information concerning Mr. Yannis Morel's compensation as well as its evolution between the 2015 and 2016 financial years appears in paragraph 2.2.2 and 2.2.3 of the Reference Document.

Defined pension plan under "Article 83":

Mr. Yannis Morel also benefits from the pension contract "Article 83" with *AG2R La Mondiale* at a contribution rate of 2% of his gross salary, 1.20% of which is borne by the Company. The sum paid by the Company in the 2016 financial year amounted to 2,032 Euros.

Company car:

Mr. Yannis Morel also benefits from a long-term company car rental contract that cost 1,950 Euros in the 2016 financial year.

- **<u>Agreements entered into with Novo Nordisk A/S, shareholder and member of the Supervisory board</u>**

Co-operation Agreement:

On 28 March 2006, Novo Nordisk A/S and the Company executed a co-operation and exclusive licence agreement for the development and commercialisation of the IPH 2101 product.

The parties executed an amendment n°1 on 6 October 2008 aiming to grant exclusive rights to the Companyfor developing and commercialising the drug candidate IPH 2101.

An amendment n°2 was executed on 6 October 2008. Under this agreement, the Company forfeited its entitlement to milestone payments and royalties on future sales of IPH 2301, another drug candidate licenced to Novo Nordisk A/S.

An amendment n°3 dated 26 June 2009 addressed adjustments in patents administration.

An amendment n°4 was executed on 16 December 2010, amending the scope of their respective developments without financial impact.

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

An amendment n°6 modifying amendment n°1 was executed on 5 July 2011 to align certain terms of the contract with the agreement entered into between Bristol-Myers Squibb and the Company on 6 July 2011.

An amendment n°7 was executed on 5 February 2014 according to which Novo Nordisk A/S transferred the rights to develop and market the drug candidate anti-NKG2A to the Company for an amount of 7 million Euros, comprising of a 2 million Euros cash payment and 600,000 Innate Pharma shares.

The amendment n°8 entered into during financial year 2016, submitted to the approval of the Ordinary Shareholders' Meeting to be convened in 2017 to decide on the accounts for the financial year ending 31 December 2016, is further detailed above in this paragraph I.2.

License Agreement:

On 9 December 2013, Novo Nordisk Health Care AG, a fully owned subsidiary of Novo Nordisk A/S, and the Company executed a license agreement under which Novo Nordisk Health Care AG grants a co-exclusive license on patents relating to protein engineering to the Company.

We propose under resolution n°5 that you approve an agreement covered by the provisions of article L.225-90-1 of the French Commercial Code, and therefore subject to the approval process provided for in article L.225-86 *et seq.* of the French Commercial Code.

Such agreement covered by article L.255-90-1, and entered into during financial year 2016 is the following:

- **Non-competition and non-solicitation agreement entered into with Mr. Mondher Mahjoubi, Chairman of the Executive board in office from 30 December 2016**

The mandate entered into between the Company and Mr. Mondher Mahjoubi (Chairman of the Executive board in office from 30 December 2016) provides, in consideration for non-competition and non-solicitation commitments, for the payment to Mr. Mondher Mahjoubi, upon termination of his office, of a 2-years fixed and variable compensation worth indemnity, to be paid on a monthly basis. However, the Company has the possibility to waive such non-competition and non-sollicitation obligation at any moment as from the end of the mandate, in such case the indemnity will cease to be due (Resolution n°5).

3. Membership and remuneration of the Supervisory board (Resolutions n°6 to 15)

(a) Renewal of the members of the Supervisory board

As Ms. Véronique Charbenaud's, Ms. Irina Staatz-Granzer's, Mr. Hervé Brailly's[1], Mr. Gilles Brisson's, Mr. Patrick Langlois's and the company Novo Nordisk A/S's terms of office as members of the Supervisory board expire, we propose, through resolutions n°6 to 11, that you renew their term of office for a two-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.

Each member of the Supervisory board have been singled out for his/her significant experience and expertise in the health sector, and more specifically in the pharmaceutical and biotechnology industry:

Hervé Brailly, Ph.D., aged 55, is a co-founder of the Company and chaired its Executive committee from the time the Company was created in 1999 until it was converted into a

[1] The mandate of Philippe Pouletty, who was replaced by Hervé Brailly, terminates at the end of this Assembly. The vote on the appointment ratification having no retroactive effect (Article L. 225-177 paragraph 5 of the Code of commerce), you will have to vote on Hervé Brailly's renewal for a new two-year mandate.

société anonyme with an Executive board and a Supervisory board on 13 June 2005 and was Chairman of the Executive board until 30 December 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 USD 30 million. He was the force behind the growth of the business activities in China for the same company between 1994 and 1998. Hervé Brailly is also member of the executive committee and treasurer of the bio cluster EuroBioMed which groups companies in life sciences and technologies together in the French PACA region. Hervé Brailly graduated from the Ecole des Mines de Paris (1983) and is a Doctor of Immunology, with a specialisation in immuno-pharmacology. Hervé Brailly has been appointed as Chairman of the Supervisory board during the meeting dated 14 December 2016, effective as of 30 December 2016. Hervé Brailly has been co-opted as a replacement of Philippe Poullety, and consequently will serve for the remaining duration of his office, *i.e.* until the next Annual Mixed Shareholders' Meeting. The appointement of Hervé Brailly as Supervisory board's member is proposed to the Annual general meeting regarding his experience at Innate Pharma and in other biotechnology companies. His appointment will allow an efficient transition between the new Chairman of the Executive board, Mondher Mahjoubi and the previous Chairman, Hervé Brailly and support Mondher Mahjoubi in the setting up of a coherent strategy, adapted to the Company's new challenges, in the line of the actions initiated during the previous years. As Chairman of the Supervisory board, Hervé Brailly will no longer be a Company's executive. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew him, subject to the approval by the Assembly of the 6th resolution, in his offices of Chairman of the Supervisory board and member of the Audit Committee and of the Compensation Committee.

Gilles Brisson, aged 65, HEC graduate, has held 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. Gilles Brisson was serving as Chairman of the Supervisory board until the appointment of Hervé Brailly as of 30 December 2016. Gilles Brisson is an independent member of Supervisory board. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew him, subject to the approval by the Assembly of the 7th resolution, in his offices of "expert member" of the Audit Committee as provided for in article L.823-19 of the French Commercial Code and of Chairman of the Compensation Committee.

Patrick Langlois, aged 71, 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. Patrick Langlois is an independent member of Supervisory board. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew, subject to the approval by the Assembly of the 11th

resolution, him in his offices of Chairman of the Audit Committee and member of the Compensation Committee.

Irina Staatz-Granzer, aged 56, 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 the consulting firm Staatz Business Development & Strategy and within this frame advises her international clients on collaborations, licensing agreements and M&A transactions. Irina Staatz-Granzer is an independent member of Supervisory board. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew, subject to the approval by the Assembly of the 8th resolution, her in her offices of Vice-Chairman of the Audit Committee and as Chairman of the Transactions Committee.

Novo Nordisk A/S, represented by Mr. Karsten Munk Knudsen, aged 45. Karsten Munk Knudsen holds a MSc. in Finance from the University of Aarhus. He joined Novo Nordisk IT in 1999 to be responsible of the financial department. He then held various positions in the group, in particular in the United States. He is currently Senior Vice President Corporate Finance. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew, subject to the approval by the Assembly of the 9th resolution, Novo Nordisk A/S in its office of member of the Transactions Committee.

Véronique Chabernaud, aged 55, 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 a consultant 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 organisations in the development of a global health approach. 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". Véronique Chabernaud is an independent member of the Supervisory board. The Supervisory board, which will meet upon the end of the present Annual Mixed Shareholders' Meeting, will renew, subject to the approval by the Assembly of the 10th resolution, her in her offices of member of the Compensation Committee.

(b) Appointment of new members to the Supervisory board

We propose, through resolutions n°12 and 13, that you appoint Bpifrance Participations and Professor Jean-Charles Soria for a two-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.

- Professor Jean-Charles Soria

Mr. Michael Caligiuri, recently appointed as Chairman of the American Association for Cancer Research (AACR), who was member of the Supervisory board since June 2013, indicated his willingness to resign from his office. Thus, the Board sought, with the assistance of the Compensation Committee, to replace him with a similar profile and international recognition in oncology. As a result, Pr. Jean-Charles Soria, Chair of Drug Development Department at Gustave Roussy Cancer Center, accepted to join the Supervisory board.

Professor Jean-Charles Soria is a medical oncologist and a Professor of Medicine and Medical Oncology at South-Paris University. He is a full-time cancer specialist at Institut Gustave Roussy. Professor Soria trained as a medical oncologist and obtained the Silver medal from Paris Medical School in 1997. He gained a postgraduate degree and a PhD degree in molecular biology (fundamental basis of oncogenesis) in 2001, and completed his training with a two-year post-doctoral fellowship in the Department of Thoracic Head and Neck Medical Oncology at MD Anderson Cancer Center, Houston, USA, where he has held an Adjunct Professorship since 2012. Professor Soria is also a member of the thoracic pathology committee at Gustave Roussy Cancer Center. He is a recognised expert on targeted therapies, immunotherapy and lung cancer. He is the Director of the SIRIC program at Gustave Roussy. His main research interests are: early clinical development, pharmacodynamic biomarkers, lung cancer, immunotherapy and personalised medicine. He is also involved in translational research aspects related to precision medicine and tumor progression notably in lung cancer models (INSERM unit 981).

Professor Jean-Charles Soria was a member of ESMO Executive Committee from 2008 to 2009, and has served as an ASCO committee member from 2006 to 2012. In 2009, he was awarded the "*Gallet et Breton*" prize of the National Academy of Medicine. The same year, he became a member of the European Academy of Cancer Sciences and chairman of the EORTC New Drug Advisory Committee. In 2011, he was the scientific co-chairman of the ECCO-ESMO congress, and scientific chair of the EORTC-NCI-AACR meeting in Barcelona in 2014 as well as in Munich in 2016. He was the President of the TAT meeting in 2015 and 2017 in Paris.

Professor Jean-Charles Soria is the principal investigator of more than 100 Phase I trials, 20 Phase II trials and 6 Phase III trials. He has contributed to over 500 peer-reviewed publications, including publications as first or last author in the New England Journal of Medicine, the Journal of the National Cancer Institute, the Journal of Clinical Oncology, Cancer Research and Clinical Cancer Research. He has been appointed as Editor in Chief of Annals of Oncology for the period 2014-2018.

Professor Jean-Charles Soria complies with the independence criteria of the Supervisory board.

- Bpifrance Participations

Bpifrance Participations was censor to the Supervisory board since May 2010. It is now proposed that Bpifrance becomes a full member of the Supervisory board. Bpifrance Participations will be representated by Maïlys Ferrère, Director of the Large Venture Investment Pole 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 thirty companies in life sciences, digital and environmental technologies. Prior to this position, Maïlys was an Investment Director at the Strategic Investment Fund between 2009 and 2012. She previously had a career in banking, specialised in equity capital markets in various financial institutions. Maïlys Ferrère is a member of the Boards of Directors or Supervisory boards of the following companies: DBV, Valneva SE, Pixium, Gensight and Euronext Paris.

(c) Appointment of a new censor

Since its appointment as censor in May 2010, Bpifrance Participations was represented by Olivier Martinez. In order to further benefit from Mr. Martinez skills and input and his significant experience in the Company and other biotechnology's companies in the context of Board discussions. It is therefore proposed to appoint him as censor for a one-year duration, expiring at the end of the Ordinary Shareholders' Meeting to be convened in 2018 to decide on the accounts for the financial year ending 31 December 2017.

The censor function in the Supervisory board is not remunerated.

The censor assists to all the Supervisory board's meeting without voting right. He's consulted by the Supervisory board's members for the Superviosry board's decisions.

Olivier Martinez, PhD, MBA, is a Senior Investment Director in 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, Genticel, 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*.

(d) Attendance Fees

We invite you in resolution n°15 to vote on the allocation of a maximum amount of 200,000 Euros attendance fees for the benefit of members of the Supervisory board in the 2017 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. The terms and conditions for allocating these attendance fees and the details concerning the allocation of these fees in the financial year 2016 are indicated in paragraph 2.2.3 "Compensation of the members of the Supervisory board for financial year 2016" (*Rémunération des membres du Conseil de Surveillance au cours de l'exercice 2016)* of the Reference Document and in the report of the Chairman of the Supervisory board on corporate governance, internal control systems and risks management, which can be found in section 2.4 of the Reference Document.

4. 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 the Supervisory board (Resolutions n°16 to 19)

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 the Supervisory board

Pursuant to article L.225-82-2 of the French Commercial Code, the report on compensation attached to the report referred to in articles L.225-100 and L.225-102 of the French Commercial Code sets out 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 the Supervisory board. These aspects are submitted for your approval.

5. Shareholders' consultation on the remuneration of members of the Executive board for the financial year ended 31 December 2016 (Resolutions n°20 to 24)

In accordance with the recommendations of the French AFEP-MEDEF Code (French corporate governance code for publicly traded companies), as amended in November 2016 (Article 26), the corporate governance code to which the Company refers pursuant to Article L.225-68 of the French Commercial Code, the following elements of the remuneration due or allocated under the financial year ended to each member of the Executive board of the Company for the year 2016 must be submitted to the shareholders' advisory vote.

We thus invite you under resolutions n°20, 21, 22, 23 and 24 to give your opinion on the following elements of remuneration due or allocated under the financial year ended 31 December 2016 to Mr. Hervé Brailly, Chairman of the Executive board in office until 29 December 2016, Mr. Mondher Mahjoubi, Chairman of the Executive board in office from 30 December 2016, Ms. Catherine Moukheibir, member of the Executive board until 29 December 2016, Mr. Nicolai Wagtmann and Mr. Yannis Morel, members of the Executive board.

The elements of remuneration are presented in paragraphs 2.2.2 and 2.2.3 of the Reference Document.

6. Company share repurchase Programme (Resolution n°25)

We propose under resolution n°25 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:

- 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*;
- 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;
- give the Company's shares during 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;
- cancel all or part of the repurchased shares, provided resolution n°33 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.

The description and results of the share repurchase program adopted at the Shareholders' Meeting of 2 June 2016 is set out in Paragraph 4.1.3 of the Reference Document.

Please see Paragraph II. 2 below for a description of the resolution pertaining to the cancellation of shares.

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

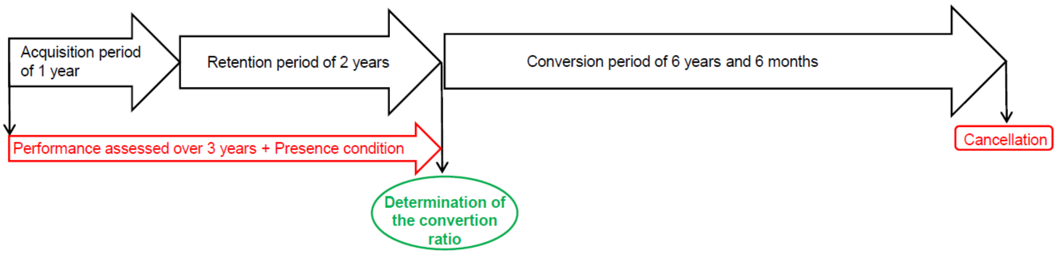
It is proposed, in the context of these financial resolutions, to grant the Executive board the possibility of setting up long term incentive plans for the employees and the executive officers.

These incentives are in the form of free shares ("**AGA"**) or free preferred shares ("**AGAP"**) presented in paragraph II.1 of this Report, the table hereunder sums up the contemplated envelopes and their use:

	Number of shares	Beneficiaries	Presence Conditions	Vesting Period	Retention Period	Performance criteria
AGA New Management (resolution n°26)	50,000	New members of the Executive Committee (employed and/or executive officers) newly hired or appointed	3 years from granting (condition for definitive acquisition)	3 years		Aims at attracting high level profiles. Therefore, no individual performance condition
AGA Management (resolution n°27)	50,000	Employed members of the Executive Committee or executive officers	1 year from granting (condition for definitive acquisition)	1 year	1 year from the definitive acquisition date	Aims at replacing a part of the cash bonus: definitive acquisition subject to the achievement of performance criteria (individual objectives) observed by the Compensation and nomination committee (1)
AGA Employees (resolution n°28)	200,000	Employees, except for those targeted in resolutions n°26 and 27	1 year from granting (condition for definitive acquisition)	1 year	1 year from the definitive acquisition date	Granting subject to the achievement of performance criteria (collective objectives) observed by the Compensation and nomination committee
2017 AGAP Management (resolution n°30)	4,000 AGAP convertible up to a maximum of 400,000 shares	Employed directors, members of the Executive Committee or executive officers currently in office or newly hired or appointed	3 years from granting (condition for (1) definitive acquisition and (2) conversion in ordinary shares)	1 year	2 years from the definitive acquisition date	The conversion ratio is indexed on Innate shares price's performance
2017 AGAP Employees (resolution n°31)	8,500 AGAP convertible up to a maximum of 850,000 shares	Employees, except for those targeted in resolution n°30	3 years from granting (condition for (1) definitive acquisition and (2) conversion in ordinary shares)	1 year	2 years from the definitive acquisition date	Same as above

(1) The mechanism of payment of a part of the annual variable compensation into AGA is detailed under paragraph 1.1.2 (ii) of the Compensation report attached to this Report.

Regarding more the 2017 AGAP, the graph hereunder sums up the functioning:



Paragraph 1.1.2 of the Compensation report attached to this Report details the mechanism and the conversion of the 2017 AGAP.

1. Remuneration instruments of directors, executive officers, employees and consultants (Resolutions n°26 to 32)

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

It is proposed under resolutions n°26, 27 and 28, that the Shareholders' Meeting authorises the Executive board to allocate, at the maximum:

- pursuant to resolution n°26, an amount of 50,000 ordinary free shares, existing or new, of a nominal value of 0.05 Euro each, for the benefit of the members of the Executive Committee (employed and/or executive officers) of the Company and its subsidiaries which would be newly appointed starting from the date of the Shareholders' Meeting of 23 June 2017 (see paragraph 1.1.5 of the Compensation report attached to this Report);

- pursuant to resolution n°27, an amount of 50,000 ordinary free shares, existing or new, of a nominal value of 0.05 Euro each, for the benefit of the employed members of the Executive Committee and/or of the executive officers of the Company and its subsidiaries under their variable compensation (see paragraph 1.1.2 of the Compensation report attached to this Report); and

- pursuant to resolution n°28, an amount of 200,000 ordinary free shares, existing or new, of a nominal value of 0.05 Euro each, for the benefit of employees of the Company and its subsidiaries (except for those targeted in resolutions n°26 and 27 above).

If all the free shares are allocated and new shares are issued, it will result in a total share capital increase of 15,000 Euros (or 0.56% of the current share capital of the Company).

The Executive board shall determine during each allocation, (i) a vesting period after which the allocation of existing or new shares will become final, and/or (ii) a mandatory retention period starting from the final allocation of existing or new shares, under the following terms:

- The acquisition of the free shares granted to the members of the Executive Committee (employed and/or the executive officers) under resolution n°26 shall only be definitive upon the expiry of a three-year vesting period and shall be conditional on the beneficiary's presence in the Company or its subsidiaries.
- The acquisition of the free shares granted to the employed members of the Executive Committee and/or the executive officers under resolution n°27 shall only be definitive upon the expiry of a one-year vesting period and shall be conditional on the beneficiary's presence in the Company or its subsidiaries, this vesting period being followed by a one-year retention period which shall run from their definitive acquisition.
- The acquisition of the free shares granted to the employees under resolution n°28 shall only be definitive upon the expiry of a one-year vesting period and shall be conditional on the beneficiary's presence in the Company or its subsidiaries, this vesting period being followed by a one-year retention period shall run from their definitive acquisition.

These delegations would be granted for a period of 38 months from the date of the Shareholders' Meeting of 23 June 2017, it being specified that prior to using this power, a proposal on such use must be submitted by the Executive board to the Supervisory board.

It is reiterated that should resolutions n°26, 27 and 28 be adopted, these delegations will void any previous delegation with the same purpose, including resolutions n°21 and 22 adopted by the shareholders' meeting dated 2 June 2016.

(b) Delegation of authority to the Executive board for the purpose of allocating free preference shares convertible into ordinary shares to executive officers and/or employees

It is proposed under resolution n°29 to amend the articles of association of the Company in order to create a new category of preference shares convertible into ordinary shares (the "**2017 Preference Shares**"), with the following main features:

- The issuance of 2017 Preference Shares may only be decided in the framework of an allocation of free shares to executive officers and/or employees.
- The number of 2017 Preference Shares that can be allocated is of 12,500.
- The nominal value of the 2017 Preference Shares is equal to the nominal value of the ordinary shares, *i.e.* 0.05 Euro.
- The admission of the 2017 Preference Shares to negotiations on the regulated market of Euronext Paris will not be requested.
- The 2017 Preference Shares shall be definitively acquired by the beneficiaries after a vesting 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.
- Starting from the date of their definitive acquisition and until they become convertible at the end of the two-year period following the definitive acquisition, the 2017 Preference Shares carry the right to vote at ordinary and extraordinary general meetings of ordinary shareholders, on the basis of one vote per 2017 Preference Share. From the date they become convertible, the number of voting

rights granted by each 2017 Preference Share is equal to the number of ordinary shares that can be received from the conversion of each 2017 Preference Share.

- The 2017 Preference Shares carry the right to vote at the special meetings of 2017 Preference Shares holders.
- Starting from the date of their definitive acquisition and until they become convertible at the end of the two-year period following the definitive acquisition, the 2017 Preference Shares grant the right to a dividend and to a portion of the reserves. The amount of the dividend (and, if applicable, of the portion of the reserves) to which each 2017 Preference Share entitles is equal to the amount due with respect to one ordinary share. From the date they become convertible, the amount of the dividend (and, if applicable, of the portion of the reserves) to which each 2017 Preference Share entitles is equal to the amount due with respect to one ordinary share, multiplied by the number of ordinary shares that can be received from the conversion of each 2017 Preference Share.
- In the event of a liquidation of the Company, the 2017 Preference Shares are entitled to the same right as ordinary shares to the liquidation surplus, *i.e.* in proportion to the portion of the share capital that their nominal amount represents.
- The 2017 Preference Shares benefit from preferential subscription rights to any capital increase or any operation granting a right to ordinary shares, with one preferential subscription right per 2017 Preference Share.
- In the event of a capital depreciation or reduction, allocation of profits, allocation of free shares, incorporation of reserves, profits or issuance premiums to the share capital, distribution of reserves or any other issuance of equity securities or securities giving access to share capital carrying a preferential subscription right before the 2017 Preference Shares are converted, the maximum amount of ordinary shares to which the 2017 Preference Shares give right by conversion will be adjusted to take into account such operation pursuant to the provisions of Article L. 228-99, Paragraph 2, 3° and Paragraph 5 of the French Commercial Code.
- The 2017 Preference Shares become convertible in ordinary shares, either new or existing at the Company's option, after a vesting period of one year from their allocation by the Executive board followed by a two-year retention period from such definitive allocation. As an exception to the foregoing, in case of a tender or exchange offer whose definitive results are announced at the latest on the expiry date of the retention period as defined above, the 2017 Preference Shares shall become convertible at the latest of (i) the first anniversary of the definitive acquisition date (if such an offer takes place before such anniversary and so that the retention period lasts at least one year), or (ii) the date of announcement of the definitive results of such offer (if such an offer takes place after such anniversary).
- The number of ordinary shares to which each preference share can be exchanged for will depend on the fulfilment of a market condition, determined on the basis of the changes in the stock market price of the Innate Pharma share between:

  (i) an "**Initial Price**" corresponding to the average closing price of the Innate Pharma share on Euronext Paris for the sixty trading days prior to the Shareholders' Meeting dated 23 June 2017, and

(ii) a “**Final Price**” corresponding to (i) the highest average closing price of the Innate Pharma share on Euronext Paris for the trading days over a period of sixty consecutive days calculated at any time during the twelve months period prior to the expiry date of the retention period, or (ii) in case of a tender or exchange offer whose definitive results are announced on the latest on the expiry date of the retention period, the price at which such tender offer is made (or, in case of an exchange offer exclusively, the implied price of such exchange offer, by applying the exchange ratio to the closing price of the offeror's share on the eve of the modified expiry date of the retention period).

- Each 2017 Preference Share will be able to be converted to a maximum number of 100 ordinary shares.
- The calculation of the conversion ratio as a function of the fulfilment of the market condition is summarised in the following table:

	Achievement degree		Conversion ratio
Market Condition Based on the changes in the stock price	• Final Price ≤ Initial Price	=	**0**
	• Initial Price < Final Price < 30 euros	=	**100 x [(Final Price - Initial Price)/(30 – Initial Price)]**
	• Final Price ≥ 30 euros	=	**100**

- The right to convert the 2017 Preference Shares into ordinary shares is conditional on 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 (*conseil d'administration* or *conseil de surveillance* or, as the case may be, the foreign law equivalent) at the expiry date of the retention period.
- The fulfilment of the market condition will be determined in a meeting of the Executive board as soon as practicable after the expiry date of the retention period.
- The 2017 Preference Shares that cannot be converted into ordinary shares depending on the extent to which the market condition is fulfilled or if the presence condition as at the expiry date of the retention period is not fulfilled, and the 2017 Preference 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.
- The 2017 Preferences Shares may only be converted for a conversion period that, together with the retention period, represents a total of eight years and six months as from the definitive acquisition date (*i.e.* for a two-years retention period, a conversion period of 6 years and six months).
- 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 the 2017 Preference 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.

- New ordinary shares resulting from the conversion of 2017 Preference Shares will be assimilated to existing ordinary shares, will bear rights as from the first day of the financial year preceding the financial year during which they will be converted, and will grant to their holders, starting from their delivery, all the rights attached to ordinary shares. They will be subject to a request for listing on the regulated market of Euronext Paris on the same listing line as ordinary shares.

As the issuance of 2017 Preference Shares may only be decided in the context of an allocation of free shares, it is proposed, under resolutions n°30 and 31, that the Shareholders' Meeting authorises the Executive board to proceed with the following:

- pursuant to resolution n°30, a free allocation of 4,000 2017 Preference Shares, with a nominal value of 0.05 Euro each, convertible up to a maximum of 400,000 new or existing ordinary shares, in favour of (i) the "employed directors", (ii) the employed members of the Executive Committee and/or (iii) the executive officers of the Company and its subsidiaries, currently in office or to be hired or appointed; and
- pursuant to resolution n°31, a free allocation of 8,500 2017 Preference Shares with a nominal value of 0.05 Euro each, convertible up to a maximum of 850,000 new or existing ordinary shares, in favour of employees of the Company and of its subsidiaries.

If all the free preference shares are allocated and converted into new ordinary shares, a total capital increase of 62,500 Euros will take place (*i.e.* [2.31]% of the current share capital of the Company).

These delegations would be granted for a period of 38 months from the date of the Shareholders' Meeting of 23 June 2017, it being specified that prior to using these delegations, the principle of their use must be submitted to the Supervisory board.

It is specified that if approved, resolutions n°30 and 31 will void the previous authorisations having the same purpose, including the authorisations granted by the Shareholders' Meeting held on 2 June 2016 pursuant to its twenty-fourth and twenty-fifth resolutions.

(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°32)

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 a shareholders' meeting any proposed resolution for a realisation of a share capital increase under 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, in the context of a company employees savings plan.

Accordingly, it is proposed under resolution n°32, that the Shareholders' Meeting delegates to the Executive board 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 in the Company or its group, up to a maximum nominal amount of 10,000 Euros (*i.e.* [0.37)% 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 was 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 thinks it 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 23 June 2017, 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 (with registered shares and excluding executive officers) amounts to 498,276 shares, or 0,92% of the shares (in the non-diluted share capital) issued on 10 February 2017.

Given the existing employees participation instruments within the Company and of those to be submitted for approval at the present annual shareholders' meeting, we do not deem it useful to adopt the present resolution and we therefore recommend that you vote against it. The President of the Supervisory board will use the powers received from the shareholders to vote against it.

2. Cancellation of shares under the share repurchase programme (Resolution n°33)

The targets of the share repurchase programme, subject of resolution n°25 include amongst others the cancellation of the acquired shares. As such, we would like you to grant, by your vote on Resolution n°33, 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 specified that if approved, resolution n°33 will void the previous authorisations having the same purpose, including the authorisation granted by the Shareholders' Meeting held on 2 June 2016 pursuant to its twenty-seventh resolution.

3. Powers to complete formalities (Resolution n°34)

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 23 June 2017 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 23 June 2017 in accordance with law.

The Executive board

Schedule: specific report on compensation attached to the report referred to in articles L. 225-100 and L. 255-102 of the French Commercial Code

[See the Say on Pay report published on our Internet website]