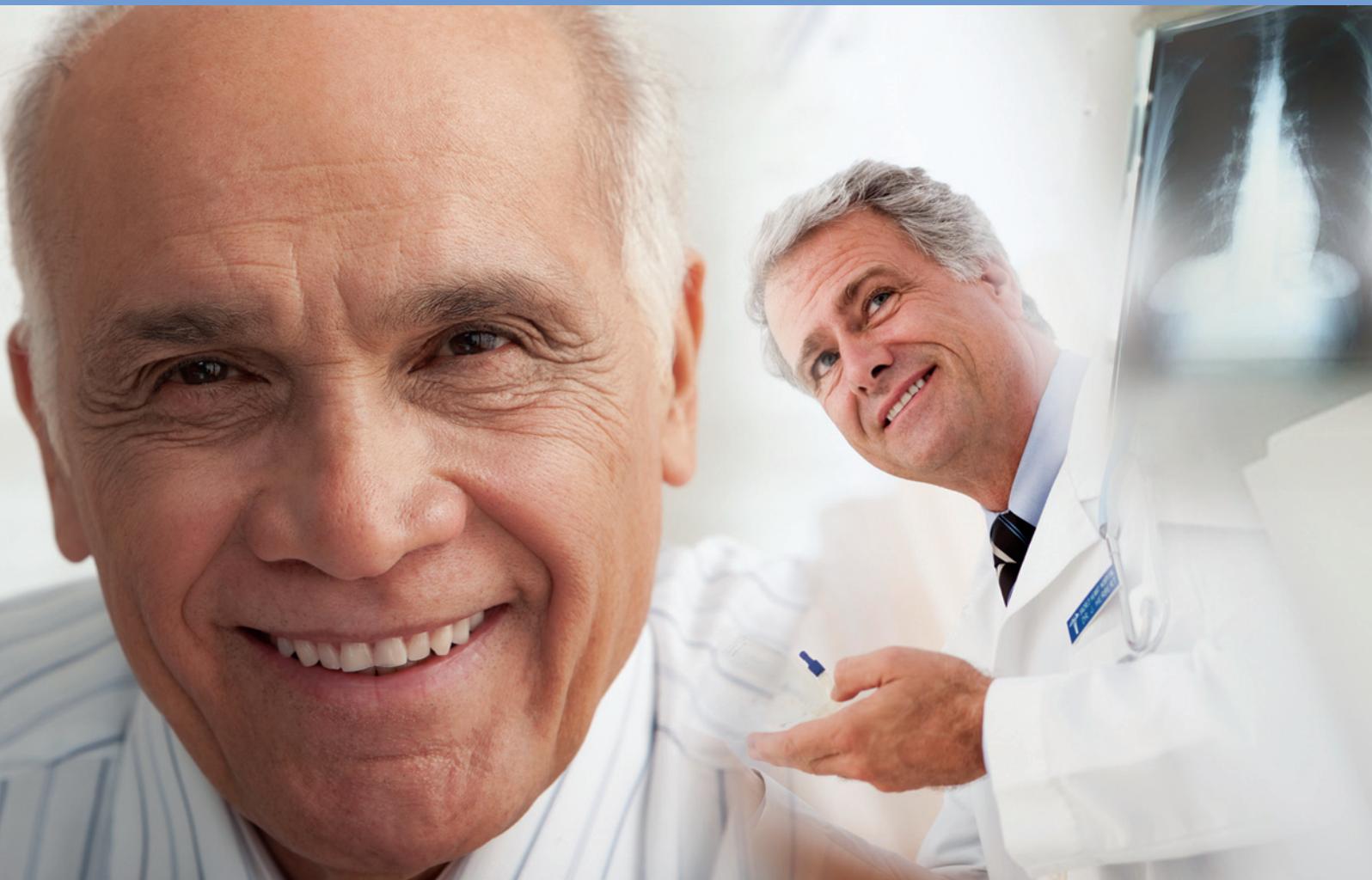


delivering innovative therapies in pulmonology & hepatology



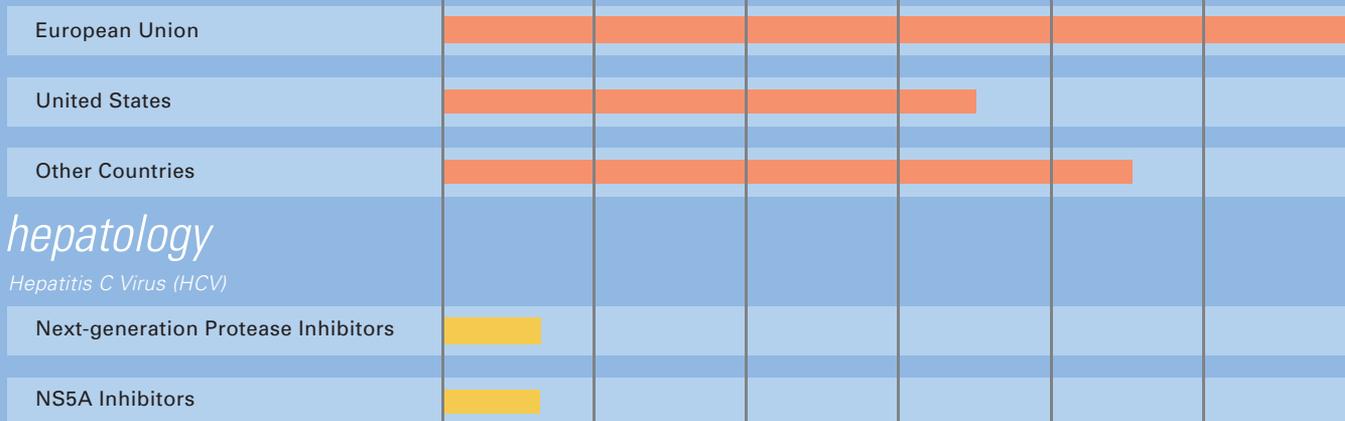
ABOUT INTERMUNE InterMune, Inc. is a biotechnology company focused on developing and commercializing innovative therapies in pulmonology and hepatology. Pulmonology is the field of medicine concerned with the diagnosis and treatment of lung conditions, while hepatology is concerned with disorders of the liver.

In pulmonology, InterMune's Esbriet® (pirfenidone) has been granted marketing authorization in the European Union, where it is indicated in adults for the treatment of mild to moderate idiopathic pulmonary fibrosis (IPF), a progressive and fatal lung disease. InterMune currently expects to conduct an additional Phase 3 study toward the potential marketing approval of pirfenidone for the treatment of IPF in the United States.

In hepatology, InterMune is developing next-generation protease inhibitor and NS5A inhibitor compounds for the treatment of patients chronically infected with the hepatitis C virus (HCV).

pulmonology

Pirfenidone - Idiopathic Pulmonary Fibrosis



highlights

- On March 3, 2011, we announced that the European Commission had granted marketing authorization for Esbriet® (pirfenidone), making Esbriet the first and only medicine approved for the treatment of IPF in Europe. Esbriet is approved for marketing in all 27 EU member states.
- We announced in December 2010 additions to our senior commercial leadership team to prepare for the commercialization of Esbriet® (pirfenidone) in Europe, and that the headquarters of our European operations is in Reinach, Switzerland.
- In January 2011, we announced our plan to conduct a Phase 3 study toward the potential U.S. FDA approval of Esbriet for the more than 100,000 Americans who suffer from IPF.
- Sold our worldwide development and commercialization rights to danoprevir to Roche for \$175.0 million in cash in October 2010. The transaction enabled us to end the year with \$295.1 million in cash and cash equivalents and provided the financial resources to independently maximize the worldwide value of pirfenidone. Danoprevir is a protease inhibitor for the treatment of patients chronically infected with the hepatitis C virus (HCV).
- Reached a new agreement with Roche that will focus on research to identify and develop next-generation protease inhibitors for the treatment of HCV. Under terms of the agreement, Roche will fund all research costs related to the program through June 30, 2011.



I am extremely pleased to report that events of 2010 and early 2011 have been especially significant for InterMune – and for patients in Europe who suffer from idiopathic pulmonary fibrosis, or IPF. On March 3, 2011, we announced that the European Commission had granted marketing authorization for Esbriet® (pirfenidone) in adults for the treatment of mild to moderate IPF. The approval authorizes marketing of Esbriet in all 27 member states of the European Union.

IPF is a progressive, rapidly lethal disease characterized by scarring of the lungs. Sadly, the five-year survival rate in IPF is worse than many cancers, yet until the marketing authorization of Esbriet in the EU, no treatments for IPF had been approved in either the United States or Europe, leaving IPF patients with little hope.

The approval of Esbriet not only marks an historic moment in the treatment of IPF patients, but also an exciting new chapter for our company as we now transition to become an international commercial organization. Our seasoned leadership team in the EU is working hard to make Esbriet available to European patients as soon as possible.

EU COMMERCIAL PLANS Based on anticipated EU country reimbursement timelines, we currently plan to launch Esbriet in the “Top 5” European markets on the following schedule: Germany in September of 2011; France, Spain and Italy in the first half of 2012 and in the United Kingdom in mid-2012. We also plan to launch Esbriet in all or substantially all of the 10 most important pharmaceutical markets in the EU by approximately mid-2012.

Published independent epidemiology studies and our own market research suggest that about 135,000 Europeans are currently diagnosed with IPF, including approximately 110,000 in the 10 largest European nations. Therefore, Esbriet addresses a large and serious unmet medical need.

In the majority of countries in Europe, the treatment of IPF patients is concentrated in hospitals or clinics that serve as centers of excellence for the management of rare diseases. This means that the physicians treating IPF patients can be effectively and efficiently accessed and supported with a relatively small infrastructure. We anticipate that a sales force of approximately 75, including sales representatives and sales managers, will provide excellent coverage and service to the IPF health provider network in the major EU countries. We currently expect to build out the commercial organization over a period of approximately 12 months through mid-2012, coincident with the completion of successful negotiations for Esbriet pricing and reimbursement.

ORPHAN DRUG DESIGNATION AND PATENTS Esbriet has been granted Orphan Drug designation in Europe, which provides 10 years of marketing exclusivity lasting until 2021. In addition, we have a number of granted, allowed and pending patent applications in Europe relating to Esbriet’s formulation and use in IPF patients, particularly related to the safe and efficacious usage of the product. This collection of patents is currently expected to provide patent protection in Europe until 2030.

One such patent has been granted by the European patent office which relates to the effect of food on the pharmacokinetics and safety of pirfenidone in IPF patients. This patent expires in late 2026. Two additional patents have recently been allowed in Europe, one of which relates to the safe usage of Esbriet in patients who develop elevation in liver transaminase levels, which expires in late 2029, and a second relating to the titration of the dosing of Esbriet at the initiation of therapy, which expires in late 2027. In addition, we have three other patents under review in Europe that if granted, are currently expected to extend exclusivity until 2030.

U.S. REGULATORY PATH A year ago in this letter I reported to you that a New Drug Application (NDA) for pirfenidone had been submitted to the U.S. FDA, seeking approval to market pirfenidone for the treatment of patients with IPF. On May 4, 2010 the FDA issued a complete response letter for that NDA.

As recommended by the FDA in its complete response letter, we currently plan to conduct a new Phase 3 clinical study that would demonstrate a clinically meaningful effect on forced vital capacity (FVC), with a target of enrolling the first patient in the study in the first half of 2011. We expect to provide additional details of the study design, timeline and other aspects of the study later this year.

HEPATOLOGY HIGHLIGHTS Following a careful review of our strategy and financial position, in October 2010 we sold all of our rights to HCV protease inhibitor danoprevir (also known as RG7227 and ITMN-191) to Roche for \$175.0 million in cash. As a result of the transaction, we are now in a very strong financial position that provides us with the resources and flexibility to maximize the value of pirfenidone, our largest and nearest-term value creation opportunity.

We subsequently reached a new agreement with Roche that will focus on research to identify and develop next-generation protease inhibitors for the treatment of HCV. Under terms of the agreement, Roche will fund all research costs related to the programs for the term of the agreement, July 1, 2010 to June 30, 2011.

eu market potential

The potential EU market for Esbriet is slightly larger than that of the United States. Published epidemiology studies and InterMune's market research suggest that about 135,000 Europeans are currently diagnosed with IPF, compared with about 100,000 in the United States. Of the approximately 110,000 diagnosed IPF patients in the 10 largest nations in Europe, we estimate that about two-thirds, or 70,000 have mild-to-moderate IPF.

InterMune will address this market by focusing the majority of our investment, infrastructure and effort first on the "Top 5" countries of Germany, France, Italy, Spain and the UK. These five countries comprise about 60% of the EU population, but represent about 70-75% of the EU pharmaceutical market value, owing to their more developed economies.

The "Next 5" countries comprise approximately 10% of the EU population and market value: the Netherlands, Portugal, Belgium, Sweden and Austria. Pricing and reimbursement negotiations in the next 5 countries will be pursued simultaneously with those of the

Top 5 countries. By about mid-2012, we currently expect Esbriet will be marketed in all or nearly all of the Top 10 EU countries, which represent approximately 85% of the EU market value.

Our research to date points to oral PAH drugs as reasonable analogs for the potential pricing of Esbriet. The range of pricing for oral PAH drugs in continental Europe is approximately \$40,000 to \$45,000 per patient per year. At a similar range of pricing and with 70,000 patients, the mild-to-moderate IPF market in Europe is currently estimated to be approximately \$3 billion.

ESTIMATED DIAGNOSED IPF PATIENTS IN THE EU 135,000 Total



FINANCIAL HIGHLIGHTS Our 2010 financial results were largely driven by the sale of our danoprevir rights to Roche. Total revenue of \$259.3 million in 2010 included \$175.0 million from the danoprevir sale and \$57.3 million from the effect of the termination of the 2006 collaboration agreement with Roche. Net income for the year was \$122.4 million, or \$2.13 per diluted share, compared with a net loss of \$116.0 million, or \$2.62 per diluted share, in 2009.

ESBRIET: AN IMPORTANT ASSET In summary, the marketing authorization of Esbriet in Europe was a transformational event that establishes our leadership in the fight against IPF, a relentless and fatal disease. We believe that Esbriet is a very valuable asset for several important reasons.

- While Esbriet is an Orphan Drug, it is indicated for a relatively large population, with approximately 110,000 IPF patients in the Top 10 EU markets, of whom approximately 70,000 have mild to moderate IPF;
- We expect to enjoy robust pricing – as other orphan drugs do in Europe;
- The IPF market is readily accessible with a relatively small infrastructure; and
- We currently expect to have marketing exclusivity in Europe until 2030 during which time we intend to establish Esbriet as a standard-of-care for the treatment of appropriate patients with IPF.

For more than a decade, we and our clinician colleagues around the world have been working on behalf of IPF patients. During these 10 years we have completed more clinical studies and studied more IPF patients than all other companies combined. In the process, we have accumulated a rich understanding – and respect – for this lethal disease and the patients who suffer with it, which makes the events of the past year tremendously gratifying on so many levels. We look forward to launching Esbriet beginning in Germany later this year, and to continuing our efforts to bring Esbriet to market in other territories including the United States.

It's an exciting time for InterMune, our investors, our employees and the patients who will soon benefit from our efforts. We appreciate your support.

Sincerely,

Daniel G. Welch
Chairman, Chief Executive Officer and President

March 9, 2011

EXECUTIVE MANAGEMENT

Daniel G. Welch
Chairman, Chief Executive Officer
and President

Williamson Z. Bradford, M.D., Ph.D.
Senior Vice President, Clinical Science
and Biometrics

Alan Cohen, M.D.
Senior Vice President, Medical Affairs

Giacomo Di Nepi
Senior Vice President and
Managing Director, Europe

John C. Hodgman
Senior Vice President and
Chief Financial Officer

Marianne A. Porter, Ph.D.
Senior Vice President and Chief Regulatory
and Drug Safety Officer

Steven B. Porter, M.D., Ph.D.
Chief Medical Officer and
Senior Vice President, Clinical Affairs

Scott Seiwert, Ph.D.
Senior Vice President, Research and
Technical Development

Howard A. Simon, Esq.
Senior Vice President, Human Resources
and Corporate Services,
Chief Compliance Officer and
Associate General Counsel

Robin J. Steele, Esq.
Senior Vice President, General Counsel and
Corporate Secretary

BOARD OF DIRECTORS

Lars Ekman, M.D., Ph.D.
(Lead Independent Director)
Chairman and Chief Executive Officer
Cebix Corporation

Louis Drapeau
Vice President
and Chief Financial Officer
InSite Vision Incorporated

James I. Healy, M.D., Ph.D.
Managing Director and Vice President
Sofinnova Ventures

David S. Kabakoff, Ph.D.
Executive Partner
Sofinnova Ventures

Jonathan S. Leff
Managing Director
Warburg Pincus LLC

Daniel G. Welch
Chairman, Chief Executive Officer and President
InterMune, Inc.

ANNUAL MEETING

The annual stockholders meeting will be held
on May 10, 2011, at 10 a.m. at InterMune, Inc.,
3280 Bayshore Boulevard, Brisbane, CA 94005

CORPORATE SECRETARY

Robin J. Steele, Esq.
Senior Vice President, General Counsel
and Corporate Secretary

**INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP
Palo Alto, CA

TRANSFER AGENT

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Pittsburgh, PA 15252
www.bnymellon.com/shareowner/equityaccess
United States: 877-854-4572
International: 201-680-6578

STOCK LISTING

Symbol: ITMN
Stock Exchange: NASDAQ

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WEBSITE

www.intermune.com

INVESTOR SERVICES

A copy of the company's 2010 Form 10-K,
which is filed with the Securities and Exchange
Commission, is available for download at
www.intermune.com or upon request to:

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STOCKHOLDER INFORMATION

Since our initial public offering of common
stock, \$0.001 par value, on March 24, 2000, our
common stock has been traded on the NASDAQ
Global Select Market under the symbol ITMN.
As of March 1, 2011, there were 188 stockhold-
ers of record. No cash dividends have been paid
to date by us, and we do not anticipate the pay-
ment of any dividends in the foreseeable future.

**FORWARD-LOOKING STATEMENTS/RISK
FACTORS**

This annual report contains forward-looking statements
within the meaning of section 21E of the Securities
Exchange Act of 1934, as amended, that reflect
InterMune's judgment and involve risks and
uncertainties as of the date of this report including
without limitation the statements related to (i) the
likelihood of obtaining U.S. FDA approval for Esbriet
through the conduct of the Phase 3 study currently
planned by InterMune; and (ii) commercial launch
preparations for Esbriet including the timing thereof and
the building of the infrastructure required for commercial
launch in various countries in the European Union. All
forward-looking statements and other information
included in this report are based on information
available to InterMune as of the date hereof, and
InterMune assumes no obligation to update any such
forward-looking statements or information. InterMune's
actual results could differ materially from those
described in InterMune's forward-looking statements.

Other factors that could cause or contribute to such
differences include, but are not limited to, those
discussed in detail under the heading "Risk Factors" in
InterMune's most recent annual report on Form 10-K
filed with the Securities and Exchange Commission
(SEC) on March 9, 2011 (the "Form 10-K"), and other
periodic reports filed with the SEC, including but not
limited to the following: (i) the fact that physician
prescriptions of Actimmune for the treatment of IPF, an
indication for which Actimmune has not been approved
by the FDA, have declined significantly following the
March 2007 termination of the Phase 3 INSPIRE trial of
Actimmune in IPF and the risk that InterMune's revenue
will continue to decline as expected; (ii) risks related to
significant regulatory, supply and competitive barriers to
entry with respect to Actimmune; (iii) risks related to the
uncertain, lengthy and expensive clinical development
and regulatory process for the company's product
candidates, including having no unexpected safety,
toxicology, clinical or other issues and having no
unexpected clinical trial results such as unexpected new
clinical data and unexpected additional analysis of
existing clinical data; (iv) risks related to unexpected
regulatory actions or delays or government regulation
generally; (v) risks related to the company's
manufacturing strategy, which relies on third-party
manufacturers and which exposes InterMune to
additional risks where it may lose potential revenue; (vi)
government, industry and general public pricing
pressures; and (vii) InterMune's ability to obtain or
maintain patent or other proprietary intellectual property
protections. The risks and other factors discussed above
should be considered only in connection with the fully
discussed risks and other factors discussed in detail in
the Form 10-K and InterMune's other periodic reports
filed with the SEC, all of which are available via
InterMune's web site at <http://www.intermune.com>

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InterMune, Inc. Actimmune® is a registered trademark of
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