

# HALF-YEAR REPORT 2010

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## 1. CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

### 1.1 CONSOLIDATED BALANCE SHEET

(€ thousands)	Notes	30 June 2009	31 December 2009	30 June 2010
Goodwill		32 930	33 447	33 447
Intangible assets		4 493	6 682	6 946
Property, plant and equipment		54 558	56 382	57 784
Non-current financial assets		564	462	508
Deferred tax assets		2 465	2 330	3 079
<b>Non-current assets</b>	2.5	<b>95 010</b>	<b>99 303</b>	<b>101 764</b>
Inventories	2.6	15 912	18 923	19 906
Trade and other receivables	2.6	29 420	34 863	28 018
Current financial assets		-	-	-
Cash and cash equivalents	2.7	19 089	22 448	41 324
<b>Current assets</b>		<b>64 421</b>	<b>76 234</b>	<b>89 248</b>
<b>Total assets</b>		<b>159 431</b>	<b>175 537</b>	<b>191 012</b>

(€ thousands)	Notes	30 June 2009	31 December 2009	30 June 2010
Equity - Group share		92 910	102 670	115 628
Minority interests		-	-	-
<b>Shareholders' equity</b>	1.3	<b>92 910</b>	<b>102 670</b>	<b>115 628</b>
Non-current borrowings	2.7	9 170	8 459	7 726
Other non-current liabilities	2.3	1 328	-	-
Non-current provisions	2.8	2 064	2 112	3 136
Deferred tax liabilities		2 274	2 802	3 082
<b>Non-current liabilities</b>		<b>14 836</b>	<b>13 373</b>	<b>13 944</b>
Current borrowings	2.7	8 600	9 092	8 577
Current provisions	2.8	2 716	1 491	2 396
Trade and other payables	2.6	40 369	48 911	50 467
<b>Current liabilities</b>		<b>51 685</b>	<b>59 494</b>	<b>61 440</b>
<b>Shareholders' equity and liabilities</b>		<b>159 431</b>	<b>175 537</b>	<b>191 012</b>

## 1.2 CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(€ thousands)	Notes	HY1 2009		09/08	HY1 2010		10/09
			% sales	% change		% sales	% change
<b>Sales</b>	2.4	<b>97 631</b>	100.0	<b>12.2</b>	<b>110 616</b>	100.0	<b>13.3</b>
Other operating revenues		101	0.1	(31.3)	130	0.1	28.7
Cost of goods sold		(22 625)	(23.2)	13.0	(24 225)	(21.9)	7.1
<b>Net cost of goods sold</b>		<b>(22 524)</b>	<b>(23.1)</b>	<b>13.3</b>	<b>(24 095)</b>	<b>(21.8)</b>	<b>7.0</b>
<b>Gross profit</b>		<b>75 107</b>	<b>76.9</b>	<b>11.9</b>	<b>86 521</b>	<b>78.2</b>	<b>15.2</b>
Selling expenses		(20 952)	(21.5)	7.8	(22 901)	(20.7)	9.3
Administrative expenses		(11 480)	(11.8)	14.0	(11 950)	(10.8)	4.1
Other general expenses	2.10	(5 414)	(5.5)	(2.7)	(9 012)	(8.1)	66.5
<b>General, administrative and selling expenses</b>		<b>(37 846)</b>	<b>(38.8)</b>	<b>7.9</b>	<b>(43 863)</b>	<b>(39.7)</b>	<b>15.9</b>
<b>Profit before R&amp;D</b>		<b>37 261</b>	<b>38.2</b>	<b>16.2</b>	<b>42 658</b>	<b>38.6</b>	<b>14.5</b>
Research and development costs		(21 267)	(21.8)	30.2	(16 646)	(15.0)	(21.7)
R&D related income		3 585	3.7	34.7	3 530	3.2	(1.5)
<b>R&amp;D</b>		<b>(17 682)</b>	<b>(18.1)</b>	<b>29.3</b>	<b>(13 116)</b>	<b>(11.9)</b>	<b>(25.8)</b>
<b>Operating profit</b>	2.9	<b>19 579</b>	<b>20.1</b>	<b>6.5</b>	<b>29 542</b>	<b>26.7</b>	<b>50.9</b>
Cost of net financial debt		(424)	(0.4)	115.2	(190)	(0.2)	(55.2)
Other financial income and expenses		(51)	(0.1)	(89.9)	-	-	(100.0)
<b>Net financial income/(expense)</b>		<b>(475)</b>	<b>(0.5)</b>	<b>(32.2)</b>	<b>(190)</b>	<b>(0.2)</b>	<b>(60.0)</b>
<b>Profit before tax</b>		<b>19 104</b>	<b>19.6</b>	<b>8.1</b>	<b>29 352</b>	<b>26.5</b>	<b>53.6</b>
Income tax		(5 731)	(5.9)	1.4	(9 187)	(8.3)	60.3
Average income tax rate	2.11	30.0%		(6.2)	31.3%		4.3
<b>Net profit</b>		<b>13 373</b>	<b>13.7</b>	<b>11.2</b>	<b>20 165</b>	<b>18.2</b>	<b>50.8</b>
Net actuarial gains and losses		(6)	(0.0)	(102.1)	(295)	(0.3)	ns
Gains (losses) on sale of treasury shares	1.3	126	0.1	(69.1)	(18)	(0.0)	(114.3)
Translation adjustment of foreign operations		(25)	(0.0)	ns	139	0.1	(656.0)
<b>Value restatements</b>		<b>101</b>	<b>0.1</b>	<b>(85.3)</b>	<b>(174)</b>	<b>(0.2)</b>	<b>(272.3)</b>
<b>Comprehensive income</b>		<b>13 468</b>	<b>13.8</b>	<b>5.9</b>	<b>19 991</b>	<b>18.1</b>	<b>48.4</b>
Attributable to minority interests		-	-	ns	-	-	ns
<b>Group share</b>		<b>13 373</b>	<b>13.7</b>	<b>11.2</b>	<b>20 165</b>	<b>18.2</b>	<b>50.8</b>
Net earnings per share	1.3	€1.02		9.8	€1.53		49.6
Diluted earnings per share		€1.01		11.3	€1.50		49.0

### 1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The changes were as follows:

(€ thousands)	Share capital and related reserves	Treasury shares	Reserves and consolidated net profit	Value restatements	Shareholders' equity <i>Group share</i>	Minority interests	Shareholders' equity
<b>At 31 December 2008</b>	<b>20 307</b>	<b>(2 000)</b>	<b>64 791</b>	<b>(476)</b>	<b>82 622</b>	-	<b>82 622</b>
<b>Comprehensive income</b>	-	-	<b>13 373</b>	<b>95</b>	<b>13 468</b>	-	<b>13 468</b>
Treasury share transactions	-	1 901	-	-	1 901	-	1 901
Options exercised	574	-	-	-	574	-	574
Dividend distribution	-	-	(5 902)	-	(5 902)	-	(5 902)
Share-based payments	-	-	250	-	250	-	250
Commitments to acquire minority interests	-	-	(3)	-	(3)	-	(3)
<b>At 30 June 2009</b>	<b>20 881</b>	<b>(99)</b>	<b>72 509</b>	<b>(381)</b>	<b>92 910</b>	-	<b>92 910</b>
<b>At 31 December 2009</b>	<b>21 914</b>	<b>(552)</b>	<b>81 547</b>	<b>(239)</b>	<b>102 670</b>	-	<b>102 670</b>
<b>Comprehensive income</b>	-	-	<b>20 165</b>	<b>(174)</b>	<b>19 991</b>	-	<b>19 991</b>
Treasury share transactions	-	(1 098)	-	-	(1 098)	-	(1 098)
Options exercised	911	-	-	-	911	-	911
Dividend distribution	-	-	(7 273)	-	(7 273)	-	(7 273)
Share-based payments	-	-	427	-	427	-	427
<b>At 30 June 2010</b>	<b>22 825</b>	<b>(1 650)</b>	<b>94 866</b>	<b>(413)</b>	<b>115 628</b>	-	<b>115 628</b>

The movement in the number of securities giving access to capital was as follows:

(in units)	Number of shares	Treasury shares	Number of shares	Free shares
<b>At 31 December 2008</b>	<b>13 118 971</b>	<b>(52 769)</b>	<b>526 585</b>	-
Treasury share transactions	-	50 597	-	-
Options exercised	39 833	-	(39 833)	-
Options granted	-	-	39 000	-
<b>At 30 June 2009</b>	<b>13 158 804</b>	<b>(2 172)</b>	<b>525 752</b>	-
<b>At 31 December 2009</b>	<b>13 212 438</b>	<b>(9 405)</b>	<b>473 118</b>	<b>15 605</b>
Treasury share transactions	-	(22 339)	-	-
Options exercised	40 377	-	(40 377)	-
Options lapsed	-	-	(10 000)	-
<b>At 30 June 2010</b>	<b>13 252 815</b>	<b>(31 744)</b>	<b>422 741</b>	<b>15 605</b>

107,538 shares were purchased and 85,199 sold over the half-year by the investment services provider in charge of the liquidity contract, being a net purchase of 22,339 shares and resulting in a decline in shareholders' equity of € 1,098 thousand, of which an € 18 thousand net capital loss in value adjustment and an outflow of cash of € 1,116 thousand.

The average exercise price of outstanding options at 30 June 2010 was € 29.19 (€ 27.64 at 30 June 2009). 276,221 options are liable to be exercised during the current year (249,832 at 30 June 2009).

The average number of shares used to calculate the earnings per share, taking account of the dilutive effect of options exercised and calculated using the "share repurchase" method was the following:

Averages over the period	Number of shares	Treasury shares	Number of shares entitled to dividend	Number of dilutive free shares	Number of dilutive shares	Diluted number of shares
<b>HY1 2009</b>	13 138 888	(27 471)	<b>13 111 417</b>	-	174 541	<b>13 285 958</b>
<b>HY1 2010</b>	13 232 627	(20 575)	<b>13 212 052</b>	15 605	219 384	<b>13 447 041</b>

## CONSOLIDATED CASH FLOW STATEMENT

(€ thousands)	Notes	HY1 2009	09/08 % change	HY1 2010	10/09 % change
<b>Operating profit</b>		<b>19 579</b>	<b>6.5</b>	<b>29 542</b>	<b>50.9</b>
Amortisation and depreciation charges	2.5	3 454	62.7	4 124	19.4
Provisions	2.8	845	23.9	1 478	74.9
Stock option cost (income)		250	(26.7)	428	71.2
Capital gains (losses) from disposal of assets		3	(75.0)	27	800.0
Financial income (expense) unrelated to debt		(51)	ns	-	(100.0)
<b>Gross operating profit (EBITDA)</b>		<b>24 080</b>	<b>11.8</b>	<b>35 599</b>	<b>47.8</b>
Current income tax on operating activities		(5 459)	(5.2)	(9 560)	75.1
Change in W.C.R from operating activities	2.6	5 222	(665.2)	8 478	62.4
<b>Net cash flow from operating activities</b>		<b>23 843</b>	<b>60.5</b>	<b>34 517</b>	<b>44.8</b>
Acquisition or increase in non-current assets	2.5	(6 003)	72.6	(5 890)	(1.9)
Business combinations	2.3	(390)	ns	-	(100.0)
Disposal or reduction in non-current assets		22	214.3	27	22.7
Change in W.C.R of investing activities	2.6	(3 020)	118.1	(1 060)	(64.9)
<b>Net cash flow used in investing activities</b>		<b>(9 391)</b>	<b>93.4</b>	<b>(6 923)</b>	<b>(26.3)</b>
<b>Free cash flow after investing activities</b>		<b>14 452</b>	<b>44.5</b>	<b>27 594</b>	<b>90.9</b>
Share capital increase		574	65.4	911	58.7
Treasury shares	1.3	2 027	81.8	(1 116)	(155.1)
Cash dividends		(5 902)	14.0	(7 273)	23.2
Refundable prepayments		-	ns	-	ns
Net cost of financial debt (after tax)		(278)	115.5	(130)	(53.2)
Effect of translation adjustments on foreign currency-denominated cash				139	
<b>Net cash flow used in financing activities</b>		<b>(3 579)</b>	<b>(6.9)</b>	<b>(7 469)</b>	<b>108.7</b>
<b>Change in net financial debt</b>		<b>10 873</b>	<b>76.6</b>	<b>20 125</b>	<b>85.1</b>
+ Net financial debt - opening balance		(9 553)		4 897	
= Year end net cash position (net financial debt)	2.7	1 320	(131.2)	25 022	ns
Proceeds from new borrowings		-	(100.0)	-	ns
Repayment of borrowings		(649)	(91.3)	(690)	6.3
<b>Net cash flow from (repayment of) borrowings</b>		<b>(649)</b>	<b>(837.5)</b>	<b>(690)</b>	<b>6.3</b>
<b>Change in cash and cash equivalents</b>		<b>10 224</b>	<b>63.7</b>	<b>19 435</b>	<b>90.1</b>
+ Cash and cash equivalents - opening balance		8 624		21 757	152.3
= Cash and cash equivalents - closing balance	2.7	18 848	29.3	41 192	118.5

## 2. SELECTED NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

### 2.1 GENERAL INFORMATION

Stallergenes Group (“STALLERGENES”) is a biopharmaceutical laboratory specialising in the treatment by desensitisation of allergy-related respiratory conditions (“allergen immunotherapy”) and a pioneer and a global leader for orally-administered treatments. The parent company, Stallergenes S.A. is a French limited company (société anonyme) listed on Compartment B of the Euronext Paris Stock Exchange. Its head office is located near Paris at 6 rue Alexis de Tocqueville, Antony, 92160, France.

The consolidated half-year financial statements of STALLERGENES at 30 June 2010 were approved by the Board of Directors on 25 August 2010. They are expressed in thousands of euro. In accordance with IAS 34, interim financial reporting, they are presented as a set of consolidated half-year financial statements, supported by selected notes that expose useful information for their understanding. Therefore, they must be read in conjunction with the consolidated financial statements at 31 December 2009.

### 2.2 ACCOUNTING POLICIES

The consolidated half-year financial statements were prepared in accordance with the IFRS recognition and valuation principles, as specified in this note. The standards used in the preparation of the consolidated financial statements at 30 June 2010 and 2009 comparative financial statements were those published by the IASB and adopted by the European Union.

During the first half of 2010, the revised IFRS 3 “Business combinations” and revised IAS 27 “Consolidated and separate financial statements”, whose application is mandatory for the 2010 financial year were applied by STALLERGENES. These two standards amended the recognition principles of business combinations and changes in percentages of ownership. They had no impact on the consolidated half-year financial statements.

The other new standards, interpretations and amendments to published standards, whose application was mandatory at 30 June 2010 (see list below) were included in the IFRS standards used. However, their application had no significant impact on the financial statements at 30 June 2010.

- IFRS 2           Amendment to “Group cash-settled share-based payment transactions”
- IAS 39           Amendment to “Eligible hedge items”
- IFRIC 12       “Service concession arrangements”
- IFRIC 15       “Agreements for the construction of real estate”
- IFRIC 16       “Hedges of a net investment in a foreign operation”
- IFRIC 17       “Distributions of non-cash assets to owners”
- IFRIC 18       “Transfers of assets from customers”
- 2007/2009 IFRS improvements.

## 2.3 CHANGES IN GROUP STRUCTURE

On 1 January 2009, STALLERGENES took control of TRIMEDAL, its distributor in Switzerland.

The value of assets acquired has changed since 30 June 2009 following the recognition of a provision of € 517 thousand for pension commitments pursuant to IAS 19.

Goodwill amounted to € 5,152 thousand at 30 June 2010 (€ 4,635 thousand at 30 June 2009).

## 2.4 SEGMENT INFORMATION

Based on examination of the entity's internal reporting, it became apparent that the Company has a single operating segment, allergen immunotherapy.

Sales were as follows, by product line:

(€ thousands)	HY1 2009		09/08 % change	HY1 2010		10/09 % change
		%			%	
Sublingual route	81 085	83	13.8	94 288	86	16.3
Subcutaneous route	12 766	13	3.7	12 478	11	(2.3)
Other products	3 780	4	10.2	3 850	3	1.9
<b>Sales</b>	<b>97 631</b>	<b>100</b>	<b>12.2</b>	<b>110 616</b>	<b>100</b>	<b>13.3</b>

The Company's business, allergen immunotherapy, addresses more than 500,000 patients per year. No customer acting as a middleman in the distribution supply chain (distributors, hospitals and pharmacies) accounted for more than 5% of Group sales.

Sales and non-current assets changed as follows, analysed by geographic region:

(€ thousands)	HY1 2009		09/08 % change	HY1 2010		10/09 % change
		%			%	
Southern Europe (1)	70 264	72	8.6	79 243	71	12.8
Other EU	24 148	25	29.6	27 366	25	13.3
Other markets	3 219	3	(12.1)	4 007	4	24.5
<b>Sales</b>	<b>97 631</b>	<b>100</b>	<b>12.2</b>	<b>110 616</b>	<b>100</b>	<b>13.3</b>
Southern Europe	86 313	93	18.7	92 310	94	6.9
Other EU	6 232	7	ns	6 375	6	2.3
Other markets	-	-	ns	-	-	ns
<b>Non-current assets (2)</b>	<b>92 545</b>	<b>100</b>	<b>26.8</b>	<b>98 685</b>	<b>100</b>	<b>6.6</b>

(1) Portugal, Spain, France, Italy, Greece

(2) excluding deferred taxation and rights attached to insurance policies

See also paragraphe 2.5 Non-current assets

## 2.5 NON-CURRENT ASSETS

Non-current assets changed as follows:

(€ thousands)	Notes	Non-current assets					Total
		Goodwill	Intangible assets	PPE	Financial assets	Deferred taxation	
<b>31 December 2008 - opening balance</b>		<b>28 295</b>	<b>15 478</b>	<b>73 344</b>	<b>423</b>	<b>2 412</b>	<b>119 952</b>
Accumulated amortisation, depreciation and provision charges		-	(7 413)	(21 687)	-	-	(29 100)
<b>Net book value at end 2008</b>		<b>28 295</b>	<b>8 065</b>	<b>51 657</b>	<b>423</b>	<b>2 412</b>	<b>90 852</b>
Acquisitions		-	3 315	11 049	39	-	14 403
Additions to the group structure		5 152	(3 262)	101	-	114	2 105
Disposals (net)		-	-	(34)	-	-	(34)
Amortisation and depreciation		-	(1 436)	(6 391)	-	-	(7 827)
Deferred taxation income (charge)		-	-	-	-	(168)	(168)
Value restatements		-	-	-	-	(28)	(28)
<b>31 December 2009 - opening balance</b>		<b>33 447</b>	<b>15 526</b>	<b>83 177</b>	<b>462</b>	<b>2 330</b>	<b>134 942</b>
Accumulated amortisation, depreciation and provision charges		-	(8 844)	(26 795)	-	-	(35 639)
<b>Net book value at end 2009</b>		<b>33 447</b>	<b>6 682</b>	<b>56 382</b>	<b>462</b>	<b>2 330</b>	<b>99 303</b>
Acquisitions	1.4	-	1 131	4 714	45	-	5 890
Disposals (net)		-	-	(54)	-	-	(54)
Amortisation and depreciation	1.4	-	(866)	(3 258)	-	-	(4 124)
Deferred taxation income (charge)		-	-	-	-	749	749
<b>30 June 2010 - opening balance</b>		<b>33 447</b>	<b>16 657</b>	<b>87 721</b>	<b>507</b>	<b>3 079</b>	<b>141 411</b>
Accumulated amortisation, depreciation and provision charges		-	(9 710)	(29 936)	-	-	(39 647)
<b>Net book value</b>	(1)	<b>33 447</b>	<b>6 946</b>	<b>57 784</b>	<b>507</b>	<b>3 079</b>	<b>101 764</b>

(1) see also non-current assets analysed by geographic region in 2.4

The property rehabilitation project of € 5 million for an administrative building close to the principal site of Antony will be started in the second half of 2010, which explains the low level of acquisitions in the first half-year.

## 2.6 WORKING CAPITAL REQUIREMENTS

Working capital requirements changed as follows:

(€ thousands)	Notes	30 June 2009		Inc/(Dec) 2009	30 June 2010		Inc/(Dec) 2010
		Days of sales			Days of sales		
Inventories		15 912	29	(583)	19 906	32	(983)
Trade receivables		19 641	36	3 730	20 068	33	2 675
Other current assets		6 468	12	(80)	4 382	7	907
Current income tax - net		1 406	3	4 096	(2 375)	(4)	8 078
Trade payables		(18 523)	(34)	(615)	(18 052)	(29)	(1 879)
Other current liabilities		(15 030)	(28)	(1 322)	(19 496)	(32)	(320)
<b>W.C.R. from operating activities</b>	1.4	<b>9 874</b>	<b>18</b>	<b>5 226</b>	<b>4 433</b>	<b>7</b>	<b>8 478</b>
Due to suppliers of non-current assets		(4 911)		(3 021)	(6 976)		(1 060)
<b>W.C.R. from investing activities</b>	1.4	<b>(4 911)</b>		<b>(3 021)</b>	<b>(6 976)</b>		<b>(1 060)</b>
<b>Total W.C.R.</b>		<b>4 963</b>		<b>2 205</b>	<b>(2 543)</b>		<b>7 418</b>
Inventories	1.1	15 912		(583)	19 906		(983)
Trade and other receivables	1.1	29 420		6 684	28 018		6 845
Trade and other payables	1.1	(40 369)		(3 896)	(50 467)		1 556
<b>Balance sheet W.C.R. cross reference</b>		<b>4 963</b>		<b>2 205</b>	<b>(2 543)</b>		<b>7 418</b>

The € 8.5 million reduction in operating working capital requirements was due mainly to the increase in the current tax liability, net of the research tax credit.

## 2.7 FINANCIAL DEBT AND CASH AND CASH EQUIVALENTS

Financial debt and cash and cash equivalents changed as follows:

(€ thousands)	Notes	Analysis by maturity			At 30 June 2010	At 31 Dec. 2009	At 30 June 2009
		More than 5 years	One to five years	Less than one year			
Property leases		-	7 726	1 444	9 170	9 860	10 528
€ 45 m syndicated loan (2005)	(1)	-	-	7 000	7 000	7 000	7 000
Bank overdrafts		-	-	133	133	691	241
<b>Total borrowings (A)</b>	1.1	-	7 726	8 577	<b>16 303</b>	<b>17 551</b>	<b>17 769</b>
Cash equivalents	(2)	-	-	36 626	36 626	16 811	16 253
Cash		-	-	4 699	4 699	5 637	2 836
<b>Cash and cash equivalents (B)</b>	1.1	-	-	41 324	<b>41 324</b>	<b>22 448</b>	<b>19 089</b>
Overdrafts to be deducted		-	-	(133)	(133)	(691)	(241)
<b>Net cash and cash equivalents</b>	1.4	-	-	41 192	<b>41 192</b>	<b>21 757</b>	<b>18 848</b>
<b>Net financial debt (net cash position) (A) - (B)</b>	1.4	-	7 726	(32 747)	<b>(25 021)</b>	<b>(4 897)</b>	<b>(1 320)</b>

(1) The € 7 million syndicated loan outstanding was repaid early at the end of July 2010.

(2) The cash equivalents caption includes a cash facility of € 885 thousand made available to an investment service provider to fund a liquidity contract. According to this contract, one month's notice must be given before the Company can use these funds.

## 2.8 PROVISIONS

Provisions changed as follows:

(€ thousands)	Notes	Non-current			Current	Total
		Non-current employee benefits	Other	Total		
<b>At 31 December 2008</b>		<b>1 789</b>	<b>47</b>	<b>1 836</b>	<b>2 088</b>	<b>3 924</b>
Net provision charges	1.4	215	2	217	628	845
Unused reversals		-	-	-	-	-
Value restatements		11	-	11	-	11
<b>At 30 June 2009</b>		<b>2 015</b>	<b>49</b>	<b>2 064</b>	<b>2 716</b>	<b>4 780</b>
<b>At 31 December 2009</b>		<b>2 112</b>	<b>-</b>	<b>2 112</b>	<b>1 491</b>	<b>3 603</b>
Net provision charges	1.4	572	-	572	906	1 478
Unused reversals		-	-	-	-	-
Value restatements	(1)	450	-	450	-	450
<b>At 30 June 2010</b>		<b>3 136</b>	<b>-</b>	<b>3 136</b>	<b>2 396</b>	<b>5 532</b>

The movements in defined benefit pension plans were as follows:

(€ thousands)	Notes	Commitments	Plan assets	Provisions
<b>At 31 December 2008</b>		<b>4 821</b>	<b>(3 032)</b>	<b>1 789</b>
Cost of services provided		234	-	234
Actuarial losses (gains)	(1)	22	(33)	(11)
Financial cost (income)		114	(62)	52
Benefits paid out		(17)	17	-
Net contributions		-	-	-
<b>At 30 June 2009</b>		<b>5 174</b>	<b>(3 110)</b>	<b>2 064</b>
<b>At 31 December 2009</b>		<b>8 165</b>	<b>(6 103)</b>	<b>2 062</b>
Cost of services provided		314	-	314
Actuarial losses (gains)	(1)	482	(32)	450
Financial cost (income)		104	(81)	23
Benefits paid out		(45)	-	(45)
Translation difference		316	(252)	64
Reclassification - opening balance		268	-	268
Net contributions		-	-	-
<b>At 30 June 2010</b>		<b>9 604</b>	<b>(6 468)</b>	<b>3 136</b>

(1) Pursuant to the SoRie option provided for by the amended IAS 19 standard and adopted by the Group, restatements to actuarial gains and losses are directly recognised under equity. The provision for actuarial gains and losses was € 450 thousand at 30 June 2010, since the discount rate was decreased to 4.15% at 30 June 2010 (5% at 31 December 2009); pursuant to the Bloomberg bond index for 15 years in the private sector.

## 2.9 INCOME STATEMENT BY NATURE OF EXPENSE

Income statement changed as follows:

(€ thousands)	Notes	HY1 2009	09/08 % change	HY1 2010	10/09 % change
<b>Sales</b>		<b>97 631</b>	<b>12.2</b>	<b>110 616</b>	<b>13.3</b>
Other operating revenues		3 686	31.2	3 660	(0.7)
Raw materials consumed		(7 849)	15.2	(7 027)	(10.5)
Personnel costs	2.12	(30 172)	9.8	(36 645)	21.5
Tax and duties	(1)	(930)	(7.5)	(400)	(57.0)
External charges	(2)	(37 966)	15.4	(34 108)	(10.2)
Amortisation and depreciation charges	2.5	(3 454)	62.7	(4 124)	19.4
Provision charges	2.8	(845)	23.9	(1 478)	74.9
Other charges and revenues	2.10	(522)	21.4	(952)	82.4
<b>Total charges</b>		<b>(78 052)</b>	<b>13.7</b>	<b>(81 074)</b>	<b>3.9</b>
<b>Operating profit</b>		<b>19 579</b>	<b>6.5</b>	<b>29 542</b>	<b>50.9</b>

- (1) The decline in this heading is related to the replacement of the local business tax by a new tax, the CVAE (business added value contribution) now classified as an income tax (see *paragraph 2.11*).
- (2) Clinical studies are mainly outsourced. The reduction in this heading is due to the decline in R&D expenditure (see *paragraph 3.2*)

## 2.10 OTHER GENERAL EXPENSES

These are central costs that cannot be attributed to the various departments of the Company. They changed as follows:

(€ thousands)	Notes	HY1 2009	09/08 % change	HY1 2010	10/09 % change
Employee profit-sharing and shareholding		(3 394)	(9.2)	(5 940)	75.0
Other personnel commitments		(1 248)	21.6	(1 692)	35.6
Share-based payments to personnel		(250)	(32.1)	(428)	71.2
<b>Head office personnel costs</b>	2.12	<b>(4 892)</b>	<b>(4.7)</b>	<b>(8 060)</b>	<b>64.8</b>
Capital gains (losses) on disposal of assets		(3)	(75.0)	(28)	833.3
Exchange gains and losses		(313)	(237.3)	(236)	(24.6)
Restructuring costs		(48)	(84.2)	(527)	997.9
Cost of brands, patents and licences		(318)	360.9	(199)	(37.4)
Litigations and other risks		160	(158.4)	38	(76.3)
<b>Other expenses and income</b>	2.9	<b>(522)</b>	<b>21.4</b>	<b>(952)</b>	<b>82.4</b>
<b>Other general expenses</b>		<b>(5 414)</b>	<b>(2.7)</b>	<b>(9 012)</b>	<b>66.5</b>

## 2.11 INCOME TAX

Income tax was measured using the provisional effective taxation rate of 31.3% for the financial year 2010 (1<sup>st</sup> half-year 2009: 30.0%). The increase in the effective taxation rate was due to the reclassification of the new CVAE tax as income tax (see *paragraph 2.9*).

Note that the effective taxation rate for 2009 as a whole was 29.7%.

## 2.12 WORKFORCE SIZE AND PERSONNEL COSTS

The weighted average workforce size (in full-time equivalents, including temporary workers) of Group operations may be analysed as follows:

Full-time equivalents	HY1 2009	09/08 % change	HY1 2010	10/09 .% change
Supply chain and production laboratories	309	6.5	345	11.7
Selling	204	1.5	207	1.3
Administrative	123	13.8	127	3.1
Research & development	144	18.4	163	13.5
<b>Average workforce size of operations</b>	<b>780</b>	<b>8.2</b>	<b>842</b>	<b>7.9</b>

Movements in personnel costs:

(€ thousands)	Notes	HY1 2009	09/08 % change	HY1 2010	10/09 .% change
Supply chain and production laboratories		7 540	13.7	8 753	16.1
Selling		7 774	3.2	8 710	12.0
Administrative		5 042	18.5	5 379	6.7
Research & development		4 924	25.1	5 743	16.6
Head office	2.10	4 892	(4.7)	8 060	64.8
<b>Total personnel costs</b>	2.9	<b>30 172</b>	<b>9.8</b>	<b>36 645</b>	<b>21.5</b>
<i>as % of sales</i>		<i>30.9</i>		<i>33.1</i>	

## 2.13 POST-BALANCE SHEET EVENTS

No event liable to have a significant impact on the financial statements at 30 June 2010 occurred after the balance sheet date.

### 3. HALF-YEAR BUSINESS REPORT

#### 3.1 SALES

Developments in Group sales by product line and market are disclosed in section 2.4 above.

Consolidated sales for the 1<sup>st</sup> half-year 2010 grew by 13.3% to € 110.6 million.

This reflected the continuing advancement of sublingual treatments (up 16.3% over the half-year), which represented 86% of total sales. The growth in Oralair® sales in Germany was particularly satisfactory, with a continuing increase in the number of new patients. Foreign exchange effects were not significant over the period.

The analysis by geographic region also highlighted accelerating sales in Southern Europe and in “Other markets” (excluding the EU region), in spite of a relatively moderate 2010 pollen season overall.

#### 3.2 BUSINESS PROFITABILITY

Developments in the Group's business profitability are disclosed in section 1.2 above.

Profits for the first half of 2010 significantly increased as a result of the growth in sales and the reduction in R&D expenditure.

Industrial costs grew by a relatively modest 7.0%, as the increase in insurance costs and quality costs largely offset the decline in raw materials costs. Marketing costs grew at a higher rate of 9.3% due to bonuses due in respect of the good results of the half-year. Excluding the reclassification of the contribution on added value for businesses (“CVAE” previously included in business tax) as income tax of € 735 thousand (see 2.9), the administrative costs rose at a similar rate. Lastly, other general expenses had very strong growth of 67%, mainly due to profit-sharing in France. Overall, the profit before R&D remained virtually stable in relative value and represented 38.6% of sales compared to 38.2% in the first half of 2009.

R&D expenditure fell very significantly by 21.7% in the first half and went from 21.8% of sales in 2009 to 15.0% this year. This substantial decline was due to a timing difference between the end of the clinical trials in progress (and particularly the Oralair® study in the US) and the increase in scale of the new trials. As the laboratory outsourced a significant part of the costs of clinical trials, this difference created a gap that had a spectacular effect on the half-year financial statements. The R&D income remained virtually stable in value; the decline in external R&D costs did not have a significant impact on the research tax credit, due to the ceiling imposed on these costs in the calculation basis of the tax credit.

Operating profit rose by 50.9% to € 29.6 million. The net financial income declined by 60%. The effective tax rate grew from 30% to 31.3% due to the reclassification of the new CVAE tax as income tax. Net profit grew by 50.8% to € 20.2 million. The diluted earnings per share grew by 49% to € 1.50. Comprehensive net income grew to € 20.0 million.

The growth in sales continued to have a major beneficial effect on employment, which grew by 62 people in one year (up 7.9%) and comprised 842 people on average in full time equivalents. In line with corporate objectives, it was R&D, quality assurance and control laboratory personnel that grew the most.

#### 3.3 FINANCIAL POSITION

Developments in the Group's financial position are disclosed in section 1.4 above.

EBITDA for the half-year grew by 47.8% to € 35.6 million. It represented 32.2% of sales for the half-year in 2010, compared to 24.7% in 2009. Net cash flow from operating activities grew by 44.8% to € 34.5 million, which took account of a sharp decline in operating working capital requirements, mainly due to current tax liabilities (see detailed analysis in Note 2.6). Investments fell by 26.3% in the half-year to € 6.9 million, since a € 5 million outflow related to the rehabilitation of an administrative building

close to the principal site at Antony was delayed until the second half of 2010. As a result, available cash flow after investment (or free cash flow) had historic growth of 90.9% and amounted to € 27.6 million.

The impact of cash outflows of a financial nature (excluding borrowings) was € 7.5 million. This is a significant increase on the € 3.6 million of 2009 due to the movements in treasury shares under the market liquidity contract, which were reflected in a net purchase of 22,339 shares compared to a net disposal of 50,597 in the first half of 2009. Net cash resources grew by € 1.3 million to € 25.0 million and cash and cash equivalents increased from € 18.8 million to € 41.2 million.

### **3.4 HY1 HIGHLIGHTS**

The 1<sup>st</sup> half-year 2010 featured three positive clinical results, which are set to have significant consequences:

- Oralair<sup>®</sup>: the results of the phase III efficacy study for the treatment of grasses allergic rhinitis in the US (VO61) were consistent with those obtained in Europe.
- Actair<sup>®</sup> (house dust mite sublingual immunotherapy tablet): the results of the 2<sup>nd</sup> year of the phase III clinical study (VO57) demonstrated that the effectiveness of Actair<sup>®</sup> noted after one year of treatment was sustained for another year without treatment. This result is a first and will enable us to test intermittent administration protocols, which will increase adherence.
- Staloral<sup>®</sup> dust mites (sublingual allergen immunotherapy solution): the phase III study in China (VO55). Staloral<sup>®</sup> proved Staloral 300<sup>®</sup> provides significantly improved control of moderate house dust mite asthma. This result paves the way for the development of Actair<sup>®</sup> in asthma indications.

### **3.5 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties did not see any major developments since the end of 2009. The change in the Chairman's remuneration was the subject of a press release on 28 May 2010, available on our website <http://finance.stallergenes.com>.

All transactions with related parties are disclosed in pages 49-50 of the 2009 business report and will be the subject of a further detailed analysis in the 2010 business report.

### **3.6 2010 FULL-YEAR OUTLOOK**

Oralair<sup>®</sup> will be launched in autumn in the Netherlands, the Czech Republic, Slovakia and Austria. The process of obtaining refund and pricing is ongoing in other countries.

Sales growth for the full year 2010 should exceed 10%. The recovery in R&D expenditure in the second half-year should lead to a stabilisation in absolute value of R&D expenditure in 2010 compared to 2009 and a significant increase in the operating margin.

The recovery in investment in the second half should only have a marginal effect on the generation of available cash flow, which will be significantly greater in the full year 2010 than in 2009.

### **3.7 RISKS AND UNCERTAINTIES FOR THE SECOND HALF-YEAR**

The Group remains subject to a number of risks, which are disclosed on pages 56-59 of the 2009 business report. These risks are consistent with the risks that generally affect the pharmaceutical industry, relating to the necessary compliance with public health policies: application of the precaution principle in assessing medicines, control over public health expenditure through regulatory pricing and level of medicine reimbursement.

## 4. CERTIFICATION STATEMENTS

### 4.1 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

"I certify that, to my knowledge, the condensed consolidated financial statements for the half-year just ended were established in accordance with professional standards applicable in France and give a fair view of the assets, financial position and performance of the Company and of all companies included in the consolidation scope, and that the half-year business report gives a true view of the significant events arising over the first six months of the financial year, their impact on the half-year financial statements, the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the financial year".

Antony, France, 26 August 2010.

Albert SAPORTA,  
Chairman and Chief Executive Officer

### 4.2 STATUTORY AUDITORS' REPORT

#### Period from 1 January to 30 June 2010

To the Shareholders,

In execution of the mandate conferred to us by your general meeting and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have carried out:

- a limited review of the accompanying condensed consolidated half-year financial statements of Stallergenes SA, relating to the period from 1 January to 30 June 2010;
- a verification of the information given in the half-year business report.

The Board of Directors is responsible for the preparation of these condensed consolidated half-year financial statements. It is our responsibility to express an opinion, on the basis of our audit.

#### 1. Opinion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. It is substantially less in scope than an audit conducted in accordance with auditing standards applicable in France. Consequently, this review can only guarantee reasonable assurance, not to the same degree as an audit, as to whether the half-year financial statements, taken overall, are free of material misstatements.

Based on our limited review, nothing has come to our attention that would challenge the true and fair view of the condensed consolidated half-year financial statements, prepared in accordance with IAS 34 on interim financial reporting, a component of IFRS standards as adopted by the European Union.

#### 2. Specific verification

We have also proceeded with a verification of information disclosed in the half-year business report commenting on the condensed consolidated half-year financial statements, which were the subject of our limited review. We have no observations to make with regard to the fairness of such information and its consistency with the condensed consolidated half-year financial statements.

Neuilly-sur-Seine and Lyon, France, 26 August 2010.

The Statutory Auditors,

PricewaterhouseCoopers Audit  
Represented by Cyrille Dietz

Commissariat Contrôle Audit – C.C.A.  
Represented by Jean-Loup Schmid