



**ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL
INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2007**

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CONSOLIDATED INTERIM INCOME STATEMENT

(in € thousands)	Note	Six months to June 30, 2007	Six months to June 30, 2006 (1)
Revenues		574,064	439,102
Purchases used in production		(293,800)	(234,195)
Payroll costs		(25,238)	(17,815)
External charges		(31,248)	(24,025)
Taxes other than on income		(5,359)	(4,104)
Additions to provisions		(2,911)	(2,061)
Other income and expenses from operations, net		(9,942)	(6,418)
Earnings before interest, tax, depreciation and amortization (EBITDA)		205,566	150,484
Depreciation and amortization		(104,202)	(63,319)
Profit from ordinary activities		101,364	87,165
Other operating income and expense, net		0	0
Operating profit		101,364	87,165
Income from cash and cash equivalents		4,840	181
Finance costs, gross		(7,820)	(1,492)
Finance costs, net		(2,980)	(1,311)
Other financial income and expense, net		695	1,006
Corporate income tax		(34,113)	(29,906)
Profit for the period before results of discontinued operations/operations held for sale		64,966	56,954
Profit for the period, net of taxes, from discontinued operations		13,923	1,650
PROFIT FOR THE PERIOD		78,889	58,604
<i>Attributable to:</i>			
▪ <i>Equity holders of the parent</i>		78,815	58,604
▪ <i>Minority interests</i>		74	0
. <i>Basic earnings per share from continuing operations (in €)</i>	10	1.20	1.05
. <i>Diluted earnings per share from continuing operations (in €)</i>	10	1.19	1.05
. <i>Basic earnings per share from discontinued operations (in €)</i>	10	0.26	0.03
. <i>Diluted earnings per share from discontinued operations (in €)</i>	10	0.24	0.03
. <i>Basic earnings per share (in €)</i>	10	1.46	1.08
. <i>Diluted earnings per share (in €)</i>	10	1.43	1.08

(1) Adjusted in accordance with IFRS 5 – see Note 1.1.

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

(in € thousands)		At June 30, 2007	At December 31, 2006
Goodwill	5	31,975	34,574
Intangible assets	5	56,347	56,411
Property, plant and equipment	5	608,293	533,204
Other long-term financial assets		1,940	4,136
Deferred income tax assets		3,699	3,728
TOTAL NON-CURRENT ASSETS		702,254	632,053
Inventories		2,011	2,936
Trade and other receivables		115,324	122,775
Other short-term financial assets		0	325
Cash and cash equivalents		248,787	279,540
TOTAL CURRENT ASSETS		366,122	405,576
TOTAL ASSETS		1,068,376	1,037,629

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

(in € thousands)		At June 30, 2007	At December 31, 2006
Share capital	6	12,000	12,000
Additional paid-in capital		84,624	84,624
Retained earnings and other reserves		350,326	286,014
TOTAL EQUITY		446,950	382,638
<i>. Attributable to equity holders of the parent</i>		<i>446,864</i>	<i>382,629</i>
<i>. Minority interests</i>		<i>86</i>	<i>9</i>
Long-term provisions		1,214	1,015
Long-term financial liabilities	7	308,320	302,874
Deferred income tax liabilities		29,578	29,578
Other non-current liabilities		12,255	11,501
NON-CURRENT LIABILITIES		351,367	344,968
Short-term provisions		1,373	1,467
Taxes payable		1,915	22,187
Trade and other payables		236,888	275,423
Short-term financial liabilities	7	29,883	10,946
CURRENT LIABILITIES		270,059	310,023
TOTAL EQUITY AND LIABILITIES		1,068,376	1,037,629

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Total equity
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Total equity						
At January 1, 2006	12,000	86,722	(30)	1,542	148,341	248,575
<u>Movements in first-half 2006</u>						
▪ Capital increase						
▪ Dividends paid by Iliad SA					(10,830)	(10,830)
▪ Dividends paid by subsidiaries					(79)	(79)
▪ Profit for the period					58,604	58,604
▪ Purchases/sales of own shares			168			168
▪ Impact of stock options				907		907
▪ Equity component of convertible bonds				22,310		22,310
▪ Other				6		6
At June 30, 2006	12,000	86,722	138	24,765	196,036	319,661

Total equity						
At January 1, 2007	12,000	84,624	(958)	25,667	261,305	382,638
<u>Movements in first-half 2007</u>						
▪ Capital increase						
▪ Dividends paid by Iliad SA					(14,621)	(14,621)
▪ Dividends paid by subsidiaries						
▪ Profit for the period (1)					78,889	78,889
▪ Purchases/sales of own shares			(866)			(866)
▪ Impact of stock options				907		907
▪ Equity component of convertible bonds						
▪ Other			3			3
At June 30, 2007	12,000	84,624	(1,821)	26,574	325,573	446,950

(1) Including €74,000 in minority interests.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

(in € thousands)	Note	Six months to June 30, 2007	Six months to June 30, 2006
Profit for the period (including minority interests)		78,889	58,604
+ / - Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges	4	104,591	63,770
- / + Unrealized gains and losses on changes in fair value		0	0
+ / - Income and expenses related to stock options and other share-based payments		907	907
- / + Other income and expenses, net		348	0
- / + Gains and losses on disposals of assets		(15,641)	(1,626)
- / + Dilution gains and losses		0	0
+ / - Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		169,094	121,655
+ Finance costs, net		2,980	1,311
+ / - Income tax expense (including deferred taxes)		34,264	30,772
Cash flows from operations before finance costs, net, and income tax (A)		206,338	153,738
- <i>Income tax paid (B)</i>		(54,589)	(38,613)
+ / - Change in operating working capital requirement (including employee benefit obligations) (C)		(21,188)	9,247
= NET CASH GENERATED FROM OPERATING ACTIVITIES (D) = (A + B + C)		130,561	124,372
- Acquisitions of property, plant and equipment and intangible assets	4	(198,197)	(125,288)
+ Disposals of property, plant and equipment and intangible assets		4,358	3,490
- Acquisitions of investments in non-consolidated undertakings		0	0
+ Disposals of investments in non-consolidated undertakings		0	0
+ / - Effect of changes in Group structure - acquisitions		(120)	(2,375)
+ / - Effect of changes in Group structure - disposals		17,052	250
+ Dividends received from associates and non-consolidated undertakings		0	0
+ / - Change in outstanding loans and advances		2,289	117
+ Investment grants received		0	0
+ / - Other		0	0
= NET CASH USED IN INVESTING ACTIVITIES (E)		(174,618)	(123,806)
+ Proceeds from capital increases:			
. Paid by shareholders of the parent company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on the exercise of stock options		0	0
- / + Own-share transactions		(866)	168
- Dividends paid during the period:			
. Dividends paid to parent company shareholders		0	0
. Dividends paid to minority shareholders of consolidated companies		0	0
+ Proceeds from new borrowings	4	1	326,421
- Repayment of borrowings (including finance leases)	7	(3,605)	(14,693)
- Net interest paid (including on finance leases)		(139)	(1,311)
= NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES (F)		(4,609)	310,585
+ / - Effect of exchange-rate movements on cash and cash equivalents (G)		(1)	(1)
= NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)		(48,667)	311,150
Cash and cash equivalents at beginning of period	4	276,324	49,416
Cash and cash equivalents at period-end	4	227,657	360,566

NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2007

1-1. SCOPE OF CONSOLIDATION AT JUNE 30, 2007

The only significant change in Group structure in first-half 2007 was the disposal of wholly-owned company Kertel on February 7, 2007.

The company was no longer fully consolidated at June 30, 2007.

In accordance with IFRS 5, the Iliad Group has adjusted the financial information for the six months ended June 30, 2006 to exclude Société SA (Société.com), sold in 2006, and Kertel SA, sold in 2007. The impact of these two companies is presented under “Profit for the period, net of taxes, from discontinued operations/operations held for sale”.

1-2. BUSINESS REVIEW

The following factors impacted the Iliad Group’s operations during the first half of 2007:

- A strong increase in Broadband revenues, particularly from Internet access services and optional value-added services available through the Freebox. This rise more than offset the downturn in Traditional Telephony revenues, mainly reflecting the sale of Kertel.
- The launch of Free Home Vidéo, a new video-on-demand service allowing subscribers with a Freebox modem to directly access a catalog of dozens of movies and TV series from their television.
- The launch of the TV Perso Freebox in June 2007.
With this service, subscribers who already have a Freebox HD modem are provided a unique, creative space where they can produce, edit and act in their own programs and channels and share the content with other Free subscribers.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (IFRS)

2-1. GENERAL INFORMATION

Iliad SA is a *société anonyme* registered in France and listed on Eurolist by Euronext Paris under the symbol "ILD". The Company’s registered office is located at 8, rue de la Ville l’Eveque, 75008 Paris, France.

The Iliad Group is a leading player in the French Internet access and telecommunications markets. Its businesses are conducted by Free (a broadband operator), One.Tel and Iliad Telecom (fixed telephony operators).

The consolidated financial information for the six months ended June 30, 2007 was approved by the Board of Directors on August 30, 2007.

2.2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended June 30, 2007 has been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

2.3. ACCOUNTING POLICIES

The interim consolidated financial information has been prepared in accordance with the same accounting policies as those applied to prepare the annual financial statements for the year ended December 31, 2006, as described in the annual financial statements for the year ended December 31, 2006.

The following new standards, amendments to existing standards and interpretations are mandatory for financial periods beginning on or after January 1, 2007 but do not have any impact on the Group's financial statements:

- **Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures**, resulting from IFRS 7. Management believes that this amendment has no impact on the condensed financial statements for the period.
- **IFRS 7, Financial Instruments – Disclosures**. Management believes that this standard has no impact on the condensed financial statements for the period.
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- **IFRIC 10, Interim Financial Reporting and Impairment**. Management believes that this interpretation has no impact on the condensed financial statements for the period.
- **IFRIC 8, Scope of IFRS 2**. Management believes that this interpretation has no impact on the condensed financial statements for the period.
- **IFRIC 9, Reassessment of Embedded Derivatives**. This interpretation is not relevant for the Group.
- **IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies**. This interpretation is not relevant for the Group.

The following interpretation is effective for financial periods beginning on or after March 1, 2007 and its impact is currently being reviewed by Management:

- **IFRIC 11, IFRS 2 – Group and Treasury Share Transactions**. Management has decided not to early adopt this interpretation.

NOTE 3: SEGMENT REPORTING

The Group's operations are made up of two business segments defined based on operating criteria:

- The **Broadband** segment, which includes Internet service provider operations (marketed under Free and related brands), hosting services (the Online, BookMyName and Dedibox brands), call center operations (Centrapel and Total Call), Wimax activities (operated by IFW) and optical fiber operations (carried out by IRE, PN and Citéfibre).
- The **Traditional Telephony** segment, which includes switched fixed-line telephony (One.Tel and Iliad Telecom), resale of airtime to operators (Kedra), directory services (mainly the ANNU reverse look-up directory accessible by Minitel, telephone, Internet and SMS text messaging) and e-commerce operations (Assunet.com).

These segments may change in the future, depending on operating criteria and the development of the Group's businesses.

Analysis of the interim consolidated income statement by business segment:

Six months to June 30, 2007	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	555,099	18,965		574,064
Inter-segment revenues	5,886	7,731	(13,617)	0
Total revenues	560,985	26,696	(13,617)	574,064
Earnings				
EBITDA	201,470	4,096	0	205,566
Depreciation and amortization	104,047	155	0	104,202
Profit from ordinary activities	97,423	3,941	0	101,364
Number of employees at period-end	1,818	50	0	1,868
Six months to June 30, 2006	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	401,359	37,743		439,102
Inter-segment revenues	9,431	17,916	(27,347)	0
Total revenues	410,790	55,659	(27,347)	439,102
Earnings				
EBITDA	140,265	10,219	0	150,484
Depreciation and amortization	62,888	431	0	63,319
Profit from ordinary activities	77,377	9,788	0	87,165
Number of employees at period-end	1,307	48	0	1,355

NOTE 4: NOTES TO THE CASH FLOW STATEMENT

Net additions to depreciation, amortization and provisions break down as follows:

(in € thousands)	Note	Six months to June 30, 2007	Six months to June 30, 2006
Depreciation and amortization expense:			
▪ Amortization of intangible assets	5.2	769	501
▪ Depreciation of property, plant and equipment	5.3	103,433	62,923
Additions to provisions for contingencies and charges	8	909	482
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	8	(45)	(238)
▪ Surplus provisions	8	(706)	(98)
Additions to provisions for long-term investments		231	200
Recognized in cash flow statement		104,591	63,770

Acquisitions of non-current assets can be analyzed as follows:

(in € thousands)	Note	Six months to June 30, 2007	Six months to June 30, 2006
▪ Intangible assets	5.2	789	708
▪ Property, plant and equipment (excl. new finance leases)	5.3	175,254	143,762
▪ Suppliers of non-current assets (excl. VAT)			
. at beginning of period		84,921	56,660
. at period-end		(62,767)	(75,842)
Recognized in cash flow statement		198,197	125,288

Proceeds from new borrowings break down as follows:

(in € thousands)	Note	Six months to June 30, 2007	Six months to June 30, 2006
▪ Bond issue	7	0	326,254
▪ Other borrowings (excl. new finance leases)	7	1	167
Recognized in cash flow statement		1	326,421

“Other borrowings” for the period correspond to deposits paid by Citéfibre’s customers.

Period-end cash and cash equivalents can be analyzed as follows:

(in € thousands)	Note	At June 30, 2007	At June 30, 2006
▪ Cash		6,675	24,759
▪ Marketable securities		242,112	341,682
▪ Short-term borrowings		(21,130)	(5,875)
Recognized in cash flow statement		227,657	360,566

NOTE 5: CAPITAL EXPENDITURE

5.1. GOODWILL

(in € thousands)	Six months to June 30, 2006
Net amount at January 1, 2006	24,922
Increase following acquisitions:	
. Free	4,774
. Freebox	424
Net amount at June 30, 2006	30,120

(in € thousands)	Six months to June 30, 2007
Net amount at January 1, 2007	34,574
Increase following acquisitions:	
. Freebox	122
Decrease following disposals:	
. Kertel	(2,721)
Net amount at June 30, 2007	31,975

Purchase accounting for the Citéfibre, acquired at the end of October 2006, was in progress as of June 30, 2007 and the final amount of goodwill had not been determined at that date.

5.2. OTHER INTANGIBLE ASSETS

(in € thousands)	Six months to June 30, 2006
Net amount at January 1, 2006	55,592
Acquisitions	708
Disposals	0
Amortization	(501)
Changes in scope of consolidation	0
Net amount at June 30, 2006	55,799

(in € thousands)	Six months to June 30, 2007
Net amount at January 1, 2007	56,411
Acquisitions	789
Disposals	0
Amortization	(769)
Changes in scope of consolidation	(84)
Net amount at June 30, 2007	56,347

“Changes in scope of consolidation” refer to the disposal of Kertel.

5.3. PROPERTY, PLANT AND EQUIPMENT

(in € thousands)	Six months to June 30, 2006
Net amount at January 1, 2006	357,244
Acquisitions (1)	144,135
Disposals	(2,205)
Depreciation	(62,923)
Net amount at June 30, 2006	436,251

(in € thousands)	Six months to June 30, 2007
Net amount at January 1, 2007	533,204
Acquisitions (1)	182,101
Disposals	(3,340)
Depreciation	(103,433)
Changes in scope of consolidation	(239)
Net amount at June 30, 2007	608,293

(1) Including €6,847,000 in assets acquired under finance leases.

Acquisitions in first-half 2007 mainly concerned the following:

- Investments in Freebox modems, DSLAMs and access fees, to keep pace with the rapid growth in the subscriber base during the period.
- Network-related investments
- Investments to support the rollout of the FTTH local loop.

5.4. IMPAIRMENT OF ASSETS

Non-financial assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis at the year-end (December 31) or whenever there is an indication that they may be impaired. At June 30, 2007, there was no indication that these assets were impaired, as there were no events or circumstances to suggest that any significant changes had taken place with a lasting, adverse effect on the Company, the economic or technological environment or the assumptions made on acquisition of the assets.

Amortizable assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. No such events or changes in circumstances were identified at June 30, 2007.

NOTE 6: SHARE CAPITAL AND DIVIDENDS

6.1. SHARE CAPITAL

There were no changes in Iliad's share capital during the six months ended June 30, 2007.

6.2. DIVIDENDS

The Shareholders' Meeting of May 29, 2007 resolved to pay a dividend of €0.27 per share, representing a total payout of €14,621,000.

Shares were quoted ex-dividend on July 12, 2007, corresponding to the dividend payment date.

NOTE 7: BORROWINGS

Borrowings	At June 30, 2007	At December 31, 2006
Long-term borrowings	308,320	302,874
Short-term borrowings	29,883	10,946
Total	338,203	313,820

Movements in borrowings can be analyzed as follows:

(in € thousands)	Six months to June 30, 2006
Borrowings at January 1, 2006	89,600
New borrowings (1)	448
Repayments of borrowings	(14,693)
Debt component of convertible bonds	292,228
Change in other bank facilities	4,202
Total borrowings at June 30, 2006	371,785

(in € thousands)	Six months to June 30, 2007
Borrowings at January 1, 2007	313,820
New borrowings (1)	6,848
Repayments of borrowings	(3,605)
Debt component of convertible bonds	3,183
Change in other bank facilities	17,914
Changes in scope of consolidation	33
Other	10
Total borrowings at June 30, 2007	338,203

(1) Including €6,847,000 in finance lease-related liabilities.

Convertible/exchangeable bond issue

On June 29, 2006, Iliad issued “Océane” bonds convertible into new shares and/or exchangeable for existing shares.

The debt component of the “Océane” bond issue can be analyzed as follows at June 30, 2006:

(in € thousands)	At June 30, 2006
Face value of the bonds issued on June 29, 2006	330,625
Issuance costs	(4,371)
Net impact on 2006 cash flow	326,254
Equity component (gross value)	(34,026)
Debt component at June 30, 2006	292,228

The impact of the bond issue on consolidated equity was as follows:

(in € thousands)	At June 30, 2006
Equity component (gross value)	34,026
Deferred tax impact	(11,716)
Net impact on equity	22,310

NOTE 8: PROVISIONS

Six months to June 30, 2006	Provisions for claims and litigation	Other provisions	Total
Opening carrying amount at January 1, 2006	707	626	1,333
Additional provisions	394	88	482
Utilized during the period	(208)	(30)	(238)
Reversals of surplus provisions	(98)	0	(98)
Closing carrying amount at June 30, 2006	795	684	1,479
<i>o/w long-term provisions</i>			642
<i>o/w short-term provisions</i>			837

Six months to June 30, 2007	Provisions for claims and litigation	Other provisions	Total
Opening carrying amount at January 1, 2007	1,205	1,277	2,482
Additional provisions	522	387	909
Utilized during the period	(45)	0	(45)
Reversals of surplus provisions	(447)	(259)	(706)
Changes in scope of consolidation	(26)	(27)	(53)
Closing carrying amount at June 30, 2007	1,209	1,378	2,587
<i>o/w long-term provisions</i>			1,214
<i>o/w short-term provisions</i>			1,373

NOTE 9: CORPORATE INCOME TAX

Corporate income tax expense is recognized based on Management's best estimate of the weighted average annual income tax rate expected for the full fiscal year.

The estimated average annual tax rate for 2007 is 34.43%, unchanged compared with the estimated tax rate for the first half of 2006.

NOTE 10: EARNINGS PER SHARE

Earnings per share attributable to equity holders of the parent can be analyzed as follows between continuing and discontinued operations:

	Six months to June 30, 2007 (€ per share)	Six months to June 30, 2006 (€ per share)
Earnings per share from continuing operations		
. Basic	1.20	1.05
. Diluted	1.19	1.05
Earnings per share from discontinued operations		
. Basic	0.26	0.03
. Diluted	0.24	0.03

NOTE 11: PROFIT FROM DISCONTINUED OPERATIONS

On February 7, 2007 Iliad sold its entire interest in Kertel SA. Kertel, which specializes in prepaid phone cards, was part of the Group's Traditional Telephony business segment.

The sale price came to €20,661,000, including €6 million in vendor finance repayable between June 29 and December 31, 2007. The first €2 million repayment was received at the end of June 2007.

The sale agreement includes an earn-out clause based on Kertel's EBIDTA for 2007. The earn-out payment will be:

- €1 million for EBIDTA between €4 million and €4.75 million.
- €1.5 million for EBIDTA between €4.75 million and €5.55 million.
- €2 million for EBIDTA above €5.55 million.

No accrual has been booked for the earn-out in the first-half 2007 financial statements.

Profit for the period, net of taxes, from discontinued operations can be analyzed as follows:

▪ Net income of discontinued operations	165
▪ Net disposal gain	<u>13,758</u>
Profit for the period, net of taxes, from discontinued operations	13,923

The net disposal gain breaks down as follows:

▪ Pre-tax disposal gain	13,909
▪ Tax	<u>(151)</u>
Net disposal gain	13,758

NOTE 12: COMMITMENTS

In 2006, the Group announced plans to begin rolling out an FTTH optical fiber network to provide home subscribers in eligible areas with optical fiber dedicated to multi-media use.

In January 2007, Iliad entered into a master finance lease with Genefim to finance the purchase of premises to house equipment required to develop the FTTH network.

Under the terms of the master lease, Genefim will finance all property acquisitions made in the period to June 30, 2008, up to an aggregate maximum of €50 million, through 12-year finance leases.

NOTE 13: RELATED-PARTY TRANSACTIONS

The only related-party transactions are transactions with key management personnel.

Transactions with key management personnel

- Persons concerned:

Group Management includes members of the Board of Directors of Iliad SA and members of the Management Committee.

- Compensation paid to key management personnel in first-half 2007 and first-half 2006 breaks down as follows:

(in € thousands)	Six months to June 30, 2007	Six months to June 30, 2006
▪ Total compensation	621	510
▪ Short-term benefits	0	0
▪ Post-employment benefits	0	0
▪ Other long-term benefits	0	0
▪ Termination benefits	0	0
▪ Share-based payments	520	520
Total	1,141	1,030

During the period, the Iliad Group bought back the following shares held by certain of the Group's executive managers:

- 18 Freebox shares from Rani Assaf for €120,000.

In addition, the Group paid €60,000 in fees under a service contract entered into with Jean-Louis Missika SAS.

On June 14, 2007, Iliad's Board of Directors granted 162,455 stock options to Maxime Lombardini. The strike price has been set at € 74.62. Each option gives the right to subscribe to one share.

NOTE 14: SUBSEQUENT EVENTS

Between July 1, 2007 and the date on which the accounts were approved, no events occurred that would be likely to have a material impact on the interim financial statements for the six months ended June 30, 2007.