



**ILIAD GROUP  
CONDENSED INTERIM CONSOLIDATED FINANCIAL  
INFORMATION  
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

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<b>INTERIM CONSOLIDATED INCOME STATEMENT</b>
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(in €thousands)	Note	Six months to June 30, 2010	Six months to June 30, 2009
<b>Revenues .....</b>		<b>1,014,954</b>	<b>969,849</b>
Purchases used in production .....		(451,358)	(469,390)
Payroll costs .....		(51,798)	(58,051)
External charges .....		(71,694)	(75,661)
Taxes other than on income.....		(19,022)	(22,472)
Additions to provisions.....		(14,792)	(27,136)
Other income and expenses from operations, net.....		(14,646)	(9,377)
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>391,644</b>	<b>307,762</b>
Share-based payment expense .....		(3,422)	(3,652)
Depreciation, amortization and provisions for impairment of non-current assets		(153,446)	(147,140)
<b>Profit from ordinary activities.....</b>		<b>234,776</b>	<b>156,970</b>
Other operating income and expense, net .....	5	60,950	(23,141)
<b>Operating profit .....</b>		<b>295,726</b>	<b>133,829</b>
Income from cash and cash equivalents.....		981	3,829
Finance costs, gross.....		(20,313)	(30,506)
<b>Finance costs, net.....</b>		<b>(19,332)</b>	<b>(26,677)</b>
Other financial income and expense, net.....		(2,877)	1,603
Corporate income tax.....	10	(102,134)	(37,792)
<b>Profit for the period before profit from discontinued operations</b>		<b>171,383</b>	<b>70,963</b>
<b>Profit, net of taxes, from discontinued operations</b>		<b>0</b>	<b>1,010</b>
<b>PROFIT FOR THE PERIOD</b>		<b>171,383</b>	<b>71,973</b>
<i>Attributable to:</i>			
▪ <i>Owners of the Company</i>		<i>171,301</i>	<i>71,811</i>
▪ <i>Minority interests</i>		<i>82</i>	<i>162</i>
<i>Earnings per share (in €):</i>			
▪ <i>Basic earnings per share</i>	<i>11</i>	<i>3.14</i>	<i>1.32</i>
▪ <i>Diluted earnings per share</i>	<i>11</i>	<i>3.01</i>	<i>1.32</i>
<i>Earnings per share from continuing operations (in €):</i>			
▪ <i>Basic earnings per share from continuing operations</i>	<i>11</i>	<i>3.14</i>	<i>1.30</i>
▪ <i>Diluted earnings per share from continuing operations</i>	<i>11</i>	<i>3.01</i>	<i>1.30</i>

<b>INTERIM STATEMENT OF COMPREHENSIVE INCOME</b>
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(in €thousands)	Note	Six months to June 30, 2010	Six months to June 30, 2009
<b>PROFIT FOR THE PERIOD.....</b>		<b>171,383</b>	<b>71,973</b>
▪ Fair value gains/(losses) on interest rate and currency hedging instruments, net of tax		3,495	(4,899)
<b>Total income and expenses recognized directly in equity</b>		<b>3,495</b>	<b>(4,899)</b>
Total comprehensive income for the period .....		<b>174,878</b>	<b>67,074</b>

Note: Minority interests have not been analyzed as they represent a non-material amount.

<b>INTERIM CONSOLIDATED BALANCE SHEET – ASSETS</b>
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(in €thousands)	Note	At June 30, 2010	At Dec. 31, 2009
Goodwill.....	6	214,048	214,048
Intangible assets.....	6	288,169	80,291
Property, plant and equipment.....	6	1,184,342	1,087,470
Other long-term financial assets.....		12,287	12,517
Deferred income tax assets.....		94,906	191,983
Other non-current assets.....		16,642	16,662
<b>TOTAL NON-CURRENT ASSETS.....</b>		<b>1,810,394</b>	<b>1,602,971</b>
Inventories .....		904	719
Current income tax assets .....		166	1,108
Trade and other receivables .....		177,234	185,024
Other short-term financial assets.....		0	16
Cash and cash equivalents .....		404,884	633,901
<b>TOTAL CURRENT ASSETS .....</b>		<b>583,188</b>	<b>820,768</b>
<b>ASSETS HELD FOR SALE.....</b>		<b>62,925</b>	<b>31,509</b>
<b>TOTAL ASSETS .....</b>		<b>2,456,507</b>	<b>2,455,248</b>

<b>INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES</b>
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(in € thousands)	Note	At June 30, 2010	At Dec. 31, 2009
Share capital.....	7	12,103	12,096
Additional paid-in capital .....		94,864	93,362
Retained earnings and other reserves .....		814,382	658,952
<b>TOTAL EQUITY .....</b>		<b>921,349</b>	<b>764,410</b>
<i>. Attributable to owners of the Company .....</i>		<i>920,659</i>	<i>763,873</i>
<i>. Minority interests .....</i>		<i>690</i>	<i>537</i>
Long-term provisions .....	9	1,397	1,397
Long-term financial liabilities .....	8	996,839	1,120,118
Deferred income tax liabilities .....		16,789	16,789
Other non-current liabilities .....		1,777	2,169
<b>TOTAL NON-CURRENT LIABILITIES .....</b>		<b>1,016,802</b>	<b>1,140,473</b>
Short-term provisions .....	9	29,743	8,880
Taxes payable .....		796	159
Trade and other payables .....		362,545	362,666
Short-term financial liabilities .....	8	125,272	178,660
<b>TOTAL CURRENT LIABILITIES .....</b>		<b>518,356</b>	<b>550,365</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>		<b>2,456,507</b>	<b>2,455,248</b>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in €thousands)	Share capital	Additional paid-in capital	Own shares held	Reserves	Retained earnings	Total equity
<b>Total equity at January 1, 2009</b>	<b>12,062</b>	<b>89,121</b>	<b>(4,589)</b>	<b>20,494</b>	<b>480,460</b>	<b>597,548</b>
<b><u>Movements in first-half 2009</u></b>						
▪ Profit for the period					71,973	71,973
▪ Income and expenses recognized in equity:						
✓ Impact of currency hedges				(4,899)		(4,899)
<b>Total income and expenses recognized in equity</b>				<b>(4,899)</b>	<b>71,973</b>	<b>67,074</b>
▪ Capital increase	20	1,466				1,486
▪ Dividends paid by Iliad SA					(18,551)	(18,551)
▪ Dividends paid by subsidiaries						
▪ Purchases/sales of own shares			422			422
▪ Impact of stock options				3,652		3,652
▪ Other				(3)		(3)
<b>At June 30, 2009</b>	<b>12,082</b>	<b>90,587</b>	<b>(4,167)</b>	<b>19,244</b>	<b>533,882</b>	<b>651,628</b>
<b>Total equity at January 1, 2010</b>	<b>12,096</b>	<b>93,362</b>	<b>(2,750)</b>	<b>23,908</b>	<b>637,794</b>	<b>764,410</b>
<b><u>Movements in first-half 2010</u></b>						
▪ Profit for the period					171,383	171,383
▪ Income and expenses recognized in equity:						
✓ Impact of interest rate and currency hedges				3,495		3,495
<b>Total income and expenses recognized in equity</b>				<b>3,495</b>	<b>171,383</b>	<b>174,878</b>
▪ Capital increase	7	1,502				1,509
▪ Dividends paid by Iliad SA					(20,247)	(20,247)
▪ Dividends paid by subsidiaries					(43)	(43)
▪ Purchases/sales of own shares			(2,580)			(2,580)
▪ Impact of stock options				3,422		3,422
▪ Other						
<b>At June 30, 2010</b>	<b>12,103</b>	<b>94,864</b>	<b>(5,330)</b>	<b>30,825</b>	<b>788,887</b>	<b>921,349</b>

Note: Minority interests have not been analyzed as they represent a non-material amount.

<b>INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS</b>
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(in €thousands)	Note	Six months to June 30, 2010	Six months to June 30, 2009
<b>Profit for the period</b> (including minority interests)		<b>171,383</b>	<b>71,973</b>
+ / - Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges (excluding restructuring costs)	4	214,309	143,806
- / + Unrealized gains and losses on changes in fair value		(665)	(524)
+ / - Income and expenses related to stock options and other share-based payments		3,422	3,652
- / + Other income and expenses, net		0	1,607
- / + Gains and losses on disposals of assets		(2,413)	(4,187)
- / + Dilution gains and losses		0	0
+ / - Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
- Restructuring costs		0	23,141
<b>Cash flows from operations after finance costs, net, and income tax (excluding restructuring costs)</b>		<b>386,036</b>	<b>239,468</b>
+ Finance costs, net		19,332	26,677
+ / - Income tax expense (including deferred taxes)		102,134	37,792
<b>Cash flows from operations before finance costs, net, and income tax (excluding restructuring costs) (A)</b>		<b>507,502</b>	<b>303,937</b>
- <i>Income tax paid</i> (B)		(5,314)	100,364
+ / - Change in operating working capital requirement (including employee benefit obligations) (C)		(28,596)	21,072
<b>= Net cash generated from operating activities before restructuring costs (D) = (A + B + C)</b>		<b>473,592</b>	<b>425,373</b>
- Restructuring costs (E)		0	(25,141)
<b>= Net cash generated from operating activities after restructuring costs (F) = (D + E)</b>		<b>473,592</b>	<b>400,232</b>
- Acquisitions of property, plant and equipment and intangible assets	4	(472,601)	(221,454)
+ Disposals of property, plant and equipment and intangible assets		29,327	5,195
- 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 and earn-outs		(100)	43,337
+ / - Effect of changes in Group structure – disposals		0	0
+ / - Change in outstanding loans and advances		225	(6,851)
+ / - Other		(35,038)	(8,481)
<b>= Net cash used in investing activities (G)</b>		<b>(478,187)</b>	<b>(188,254)</b>
+ Proceeds from capital increases:			
. Paid by owners of the Company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on the exercise of stock options		4,180	1,486
- / + Own-share transactions		(2,580)	422
- Dividends paid during the period:			
. Dividends paid to owners of the Company		0	0
. Dividends paid to minority shareholders of consolidated companies		0	0
+ Proceeds from new borrowings		683,870	105,022
- Repayment of borrowings (including finance leases)	8	(901,024)	(47,899)
- Net interest paid (including on finance leases)		(18,779)	(28,302)
<b>= Net cash generated from (used in) financing activities (H)</b>		<b>(234,333)</b>	<b>30,729</b>
+ / - Effect of exchange-rate movements on cash and cash equivalents (I)		6	(2)
<b>= Net change in cash and cash equivalents (F + G + H + I)</b>		<b>(238,922)</b>	<b>242,705</b>
Cash and cash equivalents at beginning of period		<b>630,398</b>	<b>337,441</b>
Cash and cash equivalents at period-end	4	<b>391,476</b>	<b>580,146</b>

**NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2010*****1-1. SCOPE OF CONSOLIDATION AT JUNE 30, 2010***

Changes in the scope of consolidation during first-half 2010 concerned the following:

- The formation in May 2010 of Iliad Gaming SAS, a simplified joint-stock company (*société par actions simplifiées*) that is wholly owned by Iliad SA. Iliad Gaming SAS – which is an online gaming and betting operator – was fully consolidated in the consolidated financial statements at June 30, 2010.
- The formation in May 2010 of Call One BPO, a Moroccan company that is wholly owned by Iliad SA and was fully consolidated in the consolidated financial statements at June 30, 2010. Call One BPO's corporate purpose is to (i) create and operate all activities related to call centers and (ii) supply services concerning assistance, call-outs, maintenance and equipment in the telecommunications field.

***1-2. BUSINESS REVIEW***

The following factors impacted the Iliad Group's operations during the first half of 2010:

- Sustained organic growth in ISP revenues generated through the Free brand.
- An unfavorable impact on the Alice brand caused by the termination of Alice's Wholesale business operations and the erosion of its subscriber base.
- An increase in the use of value added services.

The Iliad Group was also issued several licenses during the first half of 2010:

- On January 12, 2010, ARCEP published decision no. 2010-043 ratifying the issue of France's fourth 3G mobile telecommunications license to Free Mobile (an Iliad subsidiary).
- ARJEL issued Iliad Gaming (i) a license to offer online sports betting services (on June 7, 2010) and (ii) an online poker license (June 25, 2010).

**NOTE 2: ACCOUNTING PRINCIPLES (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’Evêque, 75008 Paris, France.

The Iliad Group is a leading operator in the French internet access and telecommunications markets. Its businesses are conducted by Free (an alternative broadband operator that uses the Free and Alice brands), Free Infrastructure (optical fiber), One.Tel (a landline telephony operator), IFW (specialized in Wimax), and Free Mobile (a mobile telephony operator).

The consolidated financial information for the six months ended June 30, 2010 was approved by the Board of Directors on August 30, 2010.

**2.2. BASIS OF PREPARATION**

This condensed interim consolidated financial information for the six months ended June 30, 2010 has been prepared in accordance with IAS 34, Interim Financial Reporting, and the revised version of IAS 1, Presentation of Financial Statements, effective for accounting periods beginning on or after January 1, 2009.

As permitted under IAS 34, the condensed interim consolidated financial statements do not incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2009.

**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, 2009, as described therein.

The Iliad Group has presented EBITDA on a separate line in the income statement. EBITDA is a key indicator of the Group’s operating performance and corresponds to profit from ordinary activities before:

- depreciation, amortization and impairment of property, plant and equipment and intangible assets; and
- share-based payment expense.

**The following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2010:**

- *Revised version of IFRS 3, Business Combinations (phase 2) and consequential amendments to IAS 27, Consolidated and Separate Financial Statements* (applicable for annual periods beginning on or after July 1, 2009). This revised standard and amendments concern the accounting treatment to be applied for acquisitions (notably goodwill) and changes in Group structure. The Group has adopted the revised versions of IFRS 3 and IAS 27 for all business combinations as from January 1, 2010.

**The following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2010, but did not impact the Group's interim financial statements:**

- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (applicable for annual periods beginning on or after July 1, 2009). IFRIC 16 applies to entities that hedge the foreign currency risk arising from net investments in foreign operations and wish to qualify for hedge accounting in accordance with IAS 39. This interpretation is not relevant to the Iliad Group.
- *IFRIC 17, Distributions of Non-cash Assets to Owners* (applicable for annual periods beginning on or after July 1, 2009). This interpretation applies to the following types of non-reciprocal distributions by an entity to its owners acting in their capacity as owners: (i) distributions of non-cash assets and (ii) distributions that give owners a choice of receiving either non-cash assets or a cash alternative. It is not relevant to the Iliad Group as the Company does not distribute non-cash assets to its owners.
- *IFRIC 18, Transfers of Assets from Customers* (effective from July 1, 2009). This interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. It is not relevant to Iliad as the Group does not carry out such transfers.
- *Amendment to IAS 39, Financial Instruments: Recognition and Measurement, Eligible Hedged Items* (applicable for annual periods beginning on or after July 1, 2009). This amendment clarifies how the existing principles underlying hedge accounting should be applied concerning (i) inflation in a financial hedged item and (ii) purchased option hedging instruments. It is not relevant to the Iliad Group.

**The following new standards, amendments to existing standards and interpretations are applicable for annual periods beginning on or after January 1, 2010, but are not currently relevant to the Group's operations:**

- *Amendment to IAS 32, Classification of Rights Issues* (applicable for annual periods beginning on or after February 1, 2010). The purpose of this amendment is to clarify the accounting treatment for rights issues denominated in a currency other than the issuer's functional currency. It is not relevant to the Iliad Group.
- *Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters* (applicable for annual periods beginning on or after January 1, 2010). These amendments authorize entities operating in the oil and gas sectors

to use the carrying amount under their previous GAAP as the deemed cost of oil and gas assets at the date of first-time adoption of IFRS. They are not relevant to the Iliad Group.

- *Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (applicable for annual periods beginning on or after July 1, 2010). The purpose of these amendments is to relieve first-time adopters of IFRS from providing the comparative prior-period information required under IFRS 7 concerning fair value measurements and liquidity risk for annual comparative periods ending before December 31, 2009. It is not relevant to Iliad as the Group is not a first-time adopter of IFRS.
- *Amendments to IFRS 2, Share-based Payment* (applicable for annual periods beginning on or after January 1, 2010). These amendments clarify the accounting for group cash-settled share-based payment transactions where the entity receiving the goods or services concerned has no obligation to settle the share-based payment transaction. The Iliad Group does not carry out such transactions.

**The following revised standard has been issued but is not mandatory for the financial year beginning January 1, 2010, and has not been early adopted by the Group:**

- *IAS 24 (Revised), Related Party Disclosures* (applicable for annual periods beginning on or after January 1, 2011). The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. Management considers that this standard will not have a material impact on the presentation of Iliad's consolidated financial statements as the Group already provides disclosures on related party transactions.

**NOTE 3: SEGMENT INFORMATION****Reportable segments**

The Group reports information on operating segments based on its business segments.

**Segment reporting format**

The Group has two operating segments, identified using criteria directly based on its organizational structure and internal reporting systems as defined by the Management Committee:

The **Broadband** segment, which includes Internet service provider operations (marketed under the Free and Alice brands), hosting services (marketed under the Online, BookMyName, Alice, Iliad Data Center and Dedibox brands), user assistance services (Centrapel, Total Call, Call One, Free and Protelco), Wimax activities (IFW), operations related to the rollout of the FTTH (fiber-to-the-home) network (IRE, Immobilière Iliad, Free Infrastructure and Citéfibre), mobile telephony activities (Free Mobile) and on-line gaming and betting services (Iliad Gaming).

The **Traditional Telephony** segment, which includes switched landline telephony (One.Tel), directory services (mainly the ANNU reverse look-up directory accessible by Minitel, telephone, Internet and SMS text messaging) and insurance brokerage operations (Assunet).

This segment reporting format complies with the criteria in IFRS 8.

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 operating segment:

Six months to June 30, 2010	Broadband	Traditional Telephony	Inter-segment	Total
<b>Revenues</b>				
External revenues	1,007,786	7,168		
Inter-segment revenues	2,194	13,259	(15,453)	<b>0</b>
Total revenues	1,009,980	20,427	(15,453)	<b>1,014,954</b>
<b>Earnings</b>				
EBITDA	391,390	254	0	<b>391,644</b>
Share-based payment expense	2,887	535	0	<b>3,422</b>
Depreciation, amortization and provisions for impairment of non-current assets	153,377	69	0	<b>153,446</b>
Profit/(loss) from ordinary activities	235,126	(350)	0	<b>234,776</b>
Number of employees at period-end	3,965	59	0	<b>4,024</b>
Six months to June 30, 2009	Broadband	Traditional Telephony	Inter-segment	Total
<b>Revenues</b>				
External revenues	961,010	8,839		
Inter-segment revenues	2,723	11,195	(13,918)	<b>0</b>
Total revenues	963,733	20,034	(13,918)	<b>969,849</b>
<b>Earnings</b>				
EBITDA	306,608	1,154	0	<b>307,762</b>
Share-based payment expense	3,041	611	0	<b>3,652</b>
Depreciation, amortization and provisions for impairment of non-current assets	147,072	68	0	<b>147,140</b>
Profit from ordinary activities	156,495	475	0	<b>156,970</b>
Number of employees at period-end	3,771	54	0	<b>3,825</b>

<b>NOTE 4: ANALYSIS OF THE STATEMENT OF CASH FLOWS</b>
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Depreciation, amortization and provisions recognized in the statement of cash flows break down as follows:

(in €thousands)	Note	Six months to June 30, 2010	Six months to June 30, 2009
Depreciation and amortization:			
▪ Amortization of intangible assets	6.2	41,868	10,443
▪ Depreciation of property, plant and equipment	6.3	151,578	136,765
Additions to provisions for contingencies and charges	9	23,384	17,862
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	9	(2,067)	(23,675)
▪ Surplus provisions	9	(454)	(4,576)
▪ Reclassifications		0	(6,885)
Additions to provisions for long-term investments		0	(449)
Additions to provisions for restructuring costs		0	14,321
<b>Recognized in the statement of cash flows</b>		<b>214,309</b>	<b>143,806</b>

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

(in €thousands)	Note	Six months to June 30, 2010	Six months to June 30, 2009
▪ Intangible assets	6.2	249,746	1,056
▪ Property, plant and equipment (excl. new finance leases)	6.3	235,718	212,686
▪ Suppliers of non-current assets (excl. VAT)			
. at beginning of period		93,497	90,347
. at period-end		(106,360)	(82,635)
<b>Recognized in the statement of cash flows</b>		<b>472,601</b>	<b>221,454</b>

Period-end cash and cash equivalents break down as follows:

(in €thousands)	Note	At June 30, 2010	At June 30, 2009
▪ Cash		5,875	6,708
▪ Marketable securities		391,411	591,133
▪ Short-term borrowings		(5,810)	(17,695)
<b>Recognized in the statement of cash flows</b>		<b>391,476</b>	<b>580,146</b>

<b>NOTE 5: OTHER OPERATING INCOME AND EXPENSE, NET</b>
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This item breaks down as follows:

(in €thousands)	Six months to June 30, 2010	Six months to June 30, 2009
▪ Other operating income and expense, net	60,950	(23,141)
<b>Total</b>	<b>60,950</b>	<b>(23,141)</b>

The €60.9 million in net other operating income recorded in the first half of 2010 reflects the combined impact of:

- €25 million in non-recurring income.
- A €40 million write-down of the Wimax license, reflecting the Group's likely future use of this license.
- Unfavorable movements during the period in provisions for claims and litigation and general contingencies.

<b>NOTE 6: CAPITAL EXPENDITURE</b>
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### 6.1. GOODWILL

(in €thousands)	Six months to June 30, 2010
Net amount at January 1, 2010	214,048
<b>Net amount at June 30, 2010</b>	<b>214,048</b>

(in €thousands)	Six months to June 30, 2009
Net amount at January 1, 2009	164,835
Increase following acquisitions:	
. Freebox	468
. Free	5,792
<b>Net amount at June 30, 2009</b>	<b>171,095</b>

## 6.2. OTHER INTANGIBLE ASSETS

(in €thousands)	Six months to June 30, 2010
<b>Net amount at January 1, 2010</b>	<b>80,291</b>
Acquisitions	249,746
Disposals	0
Amortization and impairment	(41,868)
<b>Net amount at June 30, 2010</b>	<b>288,169</b>

(in €thousands)	Six months to June 30, 2009
<b>Net amount at January 1, 2009</b>	<b>87,997</b>
Acquisitions	1,056
Disposals	0
Amortization and impairment	(10,443)
Reclassification of intangible assets as property, plant and equipment	5,951
<b>Net amount at June 30, 2009</b>	<b>84,561</b>

In January 2010, the Iliad Group was issued France's fourth 3G mobile telecommunications license in return for consideration of €242.7 million.

## 6.3. PROPERTY, PLANT AND EQUIPMENT

(in €thousands)	Six months to June 30, 2010
<b>Net amount at January 1, 2010</b>	<b>1,087,470</b>
Acquisitions (1)	271,742
Disposals	(26,914)
Depreciation and impairment	(151,578)
Reclassifications	3,622
<b>Net amount at June 30, 2010</b>	<b>1,184,342</b>

(1) Including €36,024,000 in assets acquired under finance leases.

(in €thousands)	Six months to June 30, 2009
<b>Net amount at January 1, 2009</b>	<b>996,541</b>
Acquisitions (1)	221,116
Disposals	(1,006)
Depreciation and impairment	(136,765)
Reclassification of intangible assets as property, plant and equipment	(5,951)
Impact of changes in Group structure (adjustments to provisional fair values recognized within twelve months of the acquisition date)	(11,117)
<b>Net amount at June 30, 2009</b>	<b>1,062,818</b>

(1) Including €8,430,000 in assets acquired under finance leases.

During the first half of 2010, the Group continued to invest in ADSL operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses). In the six months to June 30, 2010 the Group unbundled more than 200 new France Télécom sites.

At the same time, the Group actively pursued the rollout of its FTTH network by (i) acquiring premises to house the necessary equipment, either through real estate finance leases or outright acquisitions; and (ii) continuing to lay optical fiber cable.

Also during the period, the Group made its first investments relating to the rollout of its future mobile telephony network.

#### 6.4. 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. In assessing whether there is any indication that an asset may be impaired, the Group considers events or circumstances that suggest that significant unfavorable changes have taken place which may have a prolonged, adverse effect on the Group's economic or technological environment, or on the assumptions used on acquisition of the asset concerned.

All other assets are also tested for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

**NOTE 7: SHARE CAPITAL AND DIVIDENDS****7.1. SHARE CAPITAL**

Stock options granted by the Iliad Group on January 20, 2004 have been exercisable by their beneficiaries since January 20, 2008. Similarly, the first tranche of the stock options granted on December 20, 2005 has been exercisable since December 20, 2009.

In first-half 2010, 32,951 stock options were exercised for the same number of new shares. The Group's share capital therefore increased by €7,000, to €12,103,000 at June 30, 2010 from €12,096,000 at December 31, 2009.

**7.2. DIVIDENDS**

At the Annual General Meeting held on May 25, 2010, the Group's shareholders resolved to pay a dividend of €0.37 per share, representing a total payout of €20,247,000.

The dividend was paid on July 9, 2010.

<b>NOTE 8: BORROWINGS</b>
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Borrowings	At June 30, 2010	At June 30, 2009
Long-term borrowings	996,839	1,275,068
Short-term borrowings	125,272	32,771
<b>Total</b>	<b>1,122,111</b>	<b>1,307,839</b>

Movements in borrowings can be analyzed as follows:

(in €thousands)	Six months to June 30, 2010
<b>Borrowings at January 1, 2010</b>	<b>1,298,778</b>
New borrowings (1)	719,895
Repayments of borrowings	(901,024)
Interest on OCEANE bonds and bond premium	14
Change in other bank borrowing facilities	3,709
Impact of cash flow hedges	200
Other	539
<b>Total borrowings at June 30, 2010</b>	<b>1,122,111</b>

(1) Including €36,024,000 in finance lease-related liabilities.

(in €thousands)	Six months to June 30, 2009
<b>Borrowings at January 1, 2009</b>	<b>1,217,773</b>
New borrowings (1)	113,452
Repayments of borrowings	(47,899)
Interest on OCEANE bonds and bond premium	(122)
Change in other bank borrowing facilities	17,435
Impact of cash flow hedges	7,116
Impact of changes in Group structure	0
Other	84
<b>Total borrowings at June 30, 2009</b>	<b>1,307,839</b>

(1) Including €3,430,000 in finance lease-related liabilities.

On June 9, 2010, the Group refinanced the €1,200 million syndicated loan granted in 2008 by setting up a new €1,400 million credit facility (see Note 12).

<b>NOTE 9: PROVISIONS</b>
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Six months to June 30, 2010	Provisions for claims and litigation	Other provisions	Total
<b>At January 1, 2010</b>	<b>5,191</b>	<b>5,086</b>	<b>10,277</b>
Additional provisions	23,151	233	<b>23,384</b>
Utilized during the period	(522)	(1,545)	<b>(2,067)</b>
Reversals of surplus provisions	(454)	0	<b>(454)</b>
<b>At June 30, 2010</b>	<b>27,366</b>	<b>3,774</b>	<b>31,140</b>
<i>o/w long-term provisions</i>			<i>1,397</i>
<i>o/w short-term provisions</i>			<i>29,743</i>

Six months to June 30, 2009	Provisions for claims and litigation	Other provisions	Total
<b>At January 1, 2009</b>	<b>9,161</b>	<b>25,647</b>	<b>34,808</b>
Additional provisions	11,599	6,263	<b>17,862</b>
Utilized during the period	(3,226)	(20,449)	<b>(23,675)</b>
Reversals of surplus provisions	(4,576)	0	<b>(4,576)</b>
Reclassifications	(1,424)	539	<b>(885)</b>
<b>At June 30, 2009</b>	<b>11,534</b>	<b>12,000</b>	<b>23,534</b>
<i>o/w long-term provisions</i>			<i>1,281</i>
<i>o/w short-term provisions</i>			<i>22,253</i>

<b>NOTE 10: CORPORATE INCOME TAX</b>
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Corporate income tax expense as defined under IFRS is recognized based on Management's best estimate of the weighted average annual income tax rate expected for the full fiscal year.

*Analysis of the corporate income tax charge*

The corporate income tax charge breaks down as follows:

(in €thousands)	Six months to June 30, 2010	Six months to June 30, 2009
Current taxes on value added (CVAE)	6,892	0
Deferred taxes	95,242	37,792
<b>Total tax charge</b>	<b>102,134</b>	<b>37,792</b>

<b>NOTE 11: EARNINGS PER SHARE</b>
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Earnings per share attributable to owners of the Company can be analyzed as follows between continuing and discontinued operations:

	<b>Six months to June 30, 2010 (€per share)</b>	<b>Six months to June 30, 2009 (€per share)</b>
Earnings per share from continuing operations		
. Basic	3.14	1.30
. Diluted	3.01	1.30
Earnings per share from discontinued operations		
. Basic	0	0.02
. Diluted	0	0.02

**NOTE 12: COMMITMENTS**

At June 30, 2010, the Group had access to a €1,400 million syndicated credit facility with a five-year term. This facility comprises two tranches:

- a €600 million term loan tranche; and
- a revolving tranche amounting to €800 million.

The Group uses finance leases to finance the purchase of premises required to develop its FTTH network as well as a portion of its technical equipment.

At June 30, 2010, the Group's total obligations under finance leases amounted to €2.8 million, up €6 million on December 31, 2009.

Other commitments given by the Group totaled €3 million at the period end.

<b>NOTE 13: FINANCIAL RISK MANAGEMENT</b>
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As part of its foreign exchange risk management strategy, the Group hedges its US dollar-denominated purchases.

As part of its interest rate risk management strategy, during the first half of 2010 the Group decided to convert €400 million worth of debt from variable to fixed rate.

The following table analyzes the fair value of interest rate and currency hedges by maturity at June 30, 2010:

(in € thousands)	Within 1 year	Beyond 1 year
Currency hedges	7,598	0
Interest rate hedges	0	26,980

<b>NOTE 14: RELATED-PARTY TRANSACTIONS</b>
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Related-party transactions solely correspond to 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 2010 and 2009 breaks down as follows:

(in €thousands)	Six months to June 30, 2010	Six months to June 30, 2009
▪ Total compensation	1,089	908
▪ Short-term benefits	0	0
▪ Post-employment benefits	0	0
▪ Other long-term benefits	0	0
▪ Termination benefits	0	0
▪ Share-based payments	1,854	1,737
<b>Total</b>	<b>2,943</b>	<b>2,645</b>

**NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE**

Between July 1, 2010, and the date on which the interim accounts were approved, no other events occurred that would be likely to have a material impact on the financial statements for the six months ended June 30, 2010.