



ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL
INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2011

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| INTERIM CONSOLIDATED INCOME STATEMENT |
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| (in €thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| Revenues | | 1,041,562 | 1,014,954 |
| Purchases used in production | | (461,657) | (451,358) |
| Payroll costs | | (59,599) | (51,798) |
| External charges | | (74,353) | (71,694) |
| Taxes other than on income..... | | (11,527) | (19,022) |
| Additions to provisions..... | | (13,520) | (14,792) |
| Other income and expenses from operations, net..... | | (4,525) | (14,646) |
| EBITDA (1) | | 416,381 | 391,644 |
| Share-based payment expense | | (4,815) | (3,422) |
| Depreciation, amortization and provisions for impairment of non-current assets | | (151,734) | (153,446) |
| Profit from ordinary activities..... | | 259,832 | 234,776 |
| Other operating income and expense, net | | 0 | 60,950 |
| Operating profit | | 259,832 | 295,726 |
| Income from cash and cash equivalents..... | | 3,045 | 981 |
| Finance costs, gross..... | | (25,028) | (20,313) |
| Finance costs, net..... | | (21,983) | (19,332) |
| Other financial income and expense, net..... | | (9,180) | (2,877) |
| Corporate income tax..... | 10 | (83,114) | (102,134) |
| Profit for the period from continuing operations..... | | 145,555 | 171,383 |
| Profit, net of taxes, from discontinued operations and assets held for sale | | (529) | 0 |
| Profit for the period..... | | 145,026 | 171,383 |
| PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS (2) | | 145,555 | 134,861 |
| <i>Attributable to:</i> | | | |
| ▪ <i>Owners of the Company</i> | | 145,011 | 171,301 |
| ▪ <i>Minority interests</i> | | 15 | 82 |
| <i>Earnings per share (in €):</i> | | | |
| ▪ <i>Basic earnings per share</i> | 11 | 2.65 | 3.14 |
| ▪ <i>Diluted earnings per share</i> | 11 | 2.55 | 3.01 |
| <i>Earnings per share from continuing operations (in €):</i> | | | |
| ▪ <i>Basic earnings per share from continuing operations</i> | 11 | 2.66 | 3.14 |
| ▪ <i>Diluted earnings per share from continuing operations</i> | 11 | 2.56 | 3.01 |

(1) See definition on page 8

(2) See definition on page 9

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| INTERIM STATEMENT OF COMPREHENSIVE INCOME |
|--|

| (in €thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| PROFIT FOR THE PERIOD..... | | 145,026 | 171,383 |
| <ul style="list-style-type: none"> ▪ Fair value gains/(losses) on interest rate and currency hedging instruments, net of tax..... | | 4,969 | 3,495 |
| Total income and expenses recognized directly in equity..... | | 4,969 | 3,495 |
| | | <hr/> | <hr/> |
| Total comprehensive income for the period..... | | 149,995 | 174,878 |

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

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|---|
| PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS |
|---|

| (in €thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| PROFIT FOR THE PERIOD | | 145,026 | 171,383 |
| <ul style="list-style-type: none"> ▪ Other operating income and expense, net ▪ Corresponding tax impact ▪ Profit, net of taxes, from discontinued operations and assets held for sale | | 0 0 529 | (60,950) 24,428 0 |
| PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS | | 145,555 | 134,861 |
| | | <hr/> | <hr/> |

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

| (in €thousands) | Note | At June 30, 2011 | At Dec. 31, 2010 |
|--|------|------------------|------------------|
| Goodwill..... | 5 | 214,248 | 214,248 |
| Intangible assets..... | 5 | 676,492 | 299,242 |
| Property, plant and equipment..... | 5 | 1,636,684 | 1,337,119 |
| Other long-term financial assets..... | | 12,656 | 12,934 |
| Deferred income tax assets..... | | 24 | 24 |
| Other non-current assets..... | | 0 | 40,822 |
| TOTAL NON-CURRENT ASSETS | | 2,540,104 | 1,904,389 |
| Inventories | | 676 | 888 |
| Current income tax assets | | 9 | 698 |
| Trade and other receivables | | 189,742 | 167,125 |
| Other short-term financial assets..... | | 2,501 | 2,687 |
| Cash and cash equivalents | | 952,029 | 344,853 |
| TOTAL CURRENT ASSETS | | 1,144,957 | 516,251 |
| ASSETS HELD FOR SALE..... | | 69,449 | 71,574 |
| TOTAL ASSETS..... | | 3,754,510 | 2,492,214 |

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

| (in €thousands) | Note | At June 30, 2011 | At Dec. 31, 2010 |
|--|------|------------------|------------------|
| Share capital..... | 6 | 12,135 | 12,121 |
| Additional paid-in capital | | 101,433 | 98,660 |
| Retained earnings and other reserves | | 1,100,131 | 967,558 |
| TOTAL EQUITY | | 1,213,699 | 1,078,339 |
| <i>. Attributable to owners of the Company</i> | | <i>1,213,399</i> | <i>1,077,867</i> |
| <i>. Minority interests</i> | | <i>300</i> | <i>472</i> |
| Long-term provisions | 8 | 1,393 | 1,393 |
| Long-term financial liabilities | 7 | 1,269,045 | 999,967 |
| Deferred income tax liabilities | | 13,921 | 12,760 |
| Other non-current liabilities | 9 | 346,107 | 1,874 |
| TOTAL NON-CURRENT LIABILITIES | | 1,630,466 | 1,015,994 |
| Short-term provisions | 8 | 24,197 | 24,357 |
| Taxes payable | | 35,044 | 1,785 |
| Trade and other payables | | 484,692 | 335,542 |
| Short-term financial liabilities | 7 | 366,412 | 36,197 |
| TOTAL CURRENT LIABILITIES | | 910,345 | 397,881 |
| TOTAL EQUITY AND LIABILITIES | | 3,754,510 | 2,492,214 |

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| INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
|--|

| (in €thousands) | Share capital | Additional paid-in capital | Own shares held | Reserves | Retained earnings | Total equity |
|-----------------|---------------|----------------------------|-----------------|----------|-------------------|--------------|
|-----------------|---------------|----------------------------|-----------------|----------|-------------------|--------------|

| | | | | | | |
|---|---------------|---------------|----------------|---------------|----------------|----------------|
| Total equity at January 1, 2010 | 12,096 | 93,362 | (2,750) | 23,908 | 637,794 | 764,410 |
| <u>Movements in first-half 2010</u> | | | | | | |
| ▪ Profit for the period | | | | | 171,383 | 171,383 |
| ▪ Income and expenses recognized directly in equity: | | | | | | |
| ✓ Impact of interest rate and currency hedges | | | | 3,495 | | 3,495 |
| <i>Total comprehensive income for the period</i> | | | | 3,495 | 171,383 | 174,878 |
| ▪ 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 | | | | | | |
| Total equity at June 30, 2010 | 12,103 | 94,864 | (5,330) | 30,825 | 788,887 | 921,349 |

| | | | | | | |
|---|---------------|----------------|----------------|---------------|------------------|------------------|
| Total equity at January 1, 2011 | 12,121 | 98,660 | (2,456) | 39,299 | 930,715 | 1,078,339 |
| <u>Movements in first-half 2011</u> | | | | | | |
| ▪ Profit for the period | | | | | 145,026 | 145,026 |
| ▪ Income and expenses recognized directly in equity: | | | | | | |
| ✓ Impact of interest rate and currency hedges | | | | 4,969 | | 4,969 |
| <i>Total comprehensive income for the period</i> | | | | 4,969 | 145,026 | 149,995 |
| ▪ Capital increase | 14 | 2,773 | | | | 2,787 |
| ▪ Dividends paid by Iliad SA | | | | | (21,981) | (21,981) |
| ▪ Dividends paid by subsidiaries | | | | | (173) | (173) |
| ▪ Purchases/sales of own shares | | | (83) | | | (83) |
| ▪ Impact of stock options | | | | 4,815 | | 4,815 |
| ▪ Other | | | | | | |
| Total equity at June 30, 2011 | 12,135 | 101,433 | (2,539) | 49,083 | 1,053,587 | 1,213,699 |

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

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|---|
| INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS |
|---|

| (in € thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| Profit for the period (including minority interests) | | 145,026 | 171,383 |
| +/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges (excluding restructuring costs) | 4 | 151,579 | 214,309 |
| -/+ Unrealized gains and losses on changes in fair value | | 3,336 | (665) |
| +/- Expenses and income related to stock options and other share-based payments | | 4,815 | 3,422 |
| -/+ Other income and expenses, net | | 5,121 | 0 |
| -/+ Gains and losses on disposals of assets | | (670) | (2,413) |
| -/+ Dilution gains and losses | | 0 | 0 |
| +/- Share of profit of associates | | 0 | 0 |
| - Dividends (investments in non-consolidated undertakings) | | 0 | 0 |
| - Restructuring costs | | 0 | 0 |
| Cash flows from operations after finance costs, net, and income tax (excluding restructuring costs) | | 309,207 | 386,036 |
| + Finance costs, net | | 21,983 | 19,332 |
| +/- Income tax expense (including deferred taxes) | | 83,114 | 102,134 |
| Cash flows from operations before finance costs, net, and income tax (excluding restructuring costs) (A) | | 414,304 | 507,502 |
| - <i>Income tax paid</i> (B) | | (9,006) | (5,314) |
| +/- Change in operating working capital requirement (including employee benefit obligations) (C) | | 24,059 | (28,596) |
| = Net cash generated from operating activities before restructuring costs (D) = (A + B + C) | | 429,357 | 473,592 |
| - Restructuring costs (E) | | 0 | 0 |
| = Net cash generated from operating activities after restructuring costs (F) = (D + E) | | 429,357 | 473,592 |
| - Acquisitions of property, plant and equipment and intangible assets | 4 | (408,472) | (472,601) |
| + Disposals of property, plant and equipment and intangible assets | | 7,551 | 29,327 |
| - 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) | (100) |
| +/- Effect of changes in Group structure – disposals | | 0 | 0 |
| +/- Change in outstanding loans and advances | | 277 | 225 |
| +/- Other | | 2,518 | (35,038) |
| = Net cash used in investing activities (G) | | (398,226) | (478,187) |
| + 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 | | 4,263 | 4,180 |
| -/+ Own-share transactions | | (83) | (2,580) |
| - 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 | | 595,726 | 683,870 |
| - Repayment of borrowings (including finance leases) | 7 | (8,133) | (901,024) |
| - Net interest paid (including on finance leases) | | (20,318) | (18,779) |
| = Net cash generated from (used in) financing activities (H) | | 571,455 | (234,333) |
| +/- Effect of exchange-rate movements on cash and cash equivalents (I) | | (34) | 6 |
| = Net change in cash and cash equivalents (F + G + H + I) | | 602,552 | (238,922) |
| Cash and cash equivalents at beginning of period | | 337,469 | 630,398 |
| Cash and cash equivalents at period-end | 4 | 940,021 | 391,476 |

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| NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2011 |
|--|

1-1. SCOPE OF CONSOLIDATION AT JUNE 30, 2011

The only changes in the scope of consolidation during first-half 2011 concerned the formation of four new companies which are wholly owned by Iliad and fully consolidated.

These companies had not started up operations at June 30, 2011.

1-2. BUSINESS REVIEW

The following factors impacted the Iliad Group's operations during the first half of 2011:

- Launch of the Freebox Revolution.
- Change in the VAT regime applicable to ADSL offers.
- Ongoing rollout of the mobile network.

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 ADSL 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 (mobile telephony).

The consolidated financial information for the six months ended June 30, 2011 was approved by the Board of Directors on August 31, 2011.

2.2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2011 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, 2010.

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, 2010, as described therein.

During the first half of 2011 the Group increased the depreciation period for access fees from four to five years. This change resulted in a €9.5 million reduction in the amount of depreciation recorded for the assets concerned in first-half 2011.

The Iliad Group has also elected to present two additional indicators of earnings performance in its income statement:

➤ EBITDA

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.

➤ Profit for the period before non-recurring items

This line corresponds to profit for the period adjusted for the impacts of:

- other operating income and expense, net of the corresponding tax impact; and
- profit, net of taxes, from discontinued operations and assets held for sale.

2.4. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS

New standards, amendments to existing standards and interpretations whose application is mandatory for the first time for the financial year beginning January 1, 2011

These new standards, amendments and interpretations are either not relevant to the Group's operations or their application had no impact on the periods presented in these interim financial statements (notably the revised version of IAS 24 and annual improvements to IFRSs).

NOTE 3: SEGMENT INFORMATION**Reportable segments**

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

As almost all of its operations are in France, the Group only has one geographic segment.

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, hosting services, user assistance operations, Wimax activities, operations related to the rollout of the mobile telephony and FTTH (fiber-to-the home) networks, and online gambling games and sports betting.
- The **Traditional Telephony** segment, which includes switched landline telephony, directory services and insurance brokerage operations.

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, 2011 | Broadband | Traditional Telephony | Inter-segment | Total |
|--|-----------|--------------------------|---------------|------------------|
| Revenues | | | | |
| External revenues | 1,035,801 | 5,761 | | |
| Inter-segment revenues | 1,403 | 11,871 | (13,274) | 0 |
| Total revenues | 1,037,204 | 17,632 | (13,274) | 1,041,562 |
| Earnings | | | | |
| EBITDA | 419,319 | (2,938) | 0 | 416,381 |
| Share-based payment expense | 4,147 | 668 | 0 | 4,815 |
| Depreciation, amortization and provisions for impairment of non-current assets | 151,656 | 78 | 0 | 151,734 |
| Profit/(loss) from ordinary activities | 263,516 | (3,684) | 0 | 259,832 |
| Number of employees at period-end | 4,832 | 67 | 0 | 4,899 |
| Six months to June 30, 2010 | Broadband | Traditional Telephony | Inter-segment | Total |
| Revenues | | | | |
| External revenues | 1,007,786 | 7,168 | | |
| Inter-segment revenues | 2,194 | 13,259 | (15,453) | 0 |
| Total revenues | 1,009,980 | 20,427 | (15,453) | 1,014,954 |
| Earnings | | | | |
| EBITDA | 391,390 | 254 | 0 | 391,644 |
| Share-based payment expense | 2,887 | 535 | 0 | 3,422 |
| Depreciation, amortization and provisions for impairment of non-current assets | 153,377 | 69 | 0 | 153,446 |
| Profit/(loss) from ordinary activities | 235,126 | (350) | 0 | 234,776 |
| Number of employees at period-end | 3,965 | 59 | 0 | 4,024 |

NOTE 4: ANALYSIS OF THE STATEMENT OF CASH FLOWS

Depreciation, amortization and provisions recognized in the statement of cash flows break down as follows:

| (in €thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| Depreciation and amortization: | | | |
| ▪ Amortization of intangible assets | 5.2 | 1,849 | 41,868 |
| ▪ Depreciation of property, plant and equipment | 5.3 | 149,885 | 151,578 |
| Additions to provisions for contingencies and charges | | | |
| | 8 | 1,506 | 23,384 |
| Reversals of provisions for contingencies and charges: | | | |
| ▪ Amounts utilized | 8 | (808) | (2,067) |
| ▪ Surplus provisions | 8 | (853) | (454) |
| Recognized in the statement of cash flows | | 151,579 | 214,309 |

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

| (in €thousands) | Note | Six months to June 30, 2011 | Six months to June 30, 2010 |
|--|------|--------------------------------|--------------------------------|
| ▪ Intangible assets | 5.2 | 403,973 | 249,746 |
| ▪ Property, plant and equipment (excl. new finance leases) | 5.3 | 422,623 | 235,718 |
| ▪ Suppliers of non-current assets (excl. VAT): | | | |
| . at beginning of period | | 97,567 | 93,497 |
| . impact of discounting liabilities | | 5,642 | 0 |
| . at period-end | | (521,333) | (106,360) |
| Recognized in the statement of cash flows | | 408,472 | 472,601 |

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

| (in €thousands) | Note | At June 30, 2011 | At June 30, 2010 |
|--|------|------------------|------------------|
| ▪ Cash | | 6,506 | 5,875 |
| ▪ Marketable securities | | 945,523 | 391,411 |
| ▪ Short-term borrowings | | (12,008) | (5,810) |
| Recognized in the statement of cash flows | | 940,021 | 391,476 |

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|------------------------------------|
| NOTE 5: CAPITAL EXPENDITURE |
|------------------------------------|

5.1. GOODWILL

| (in €thousands) | Six months to June 30, 2011 |
|------------------------------------|--------------------------------|
| Net amount at January 1, 2011 | 214,248 |
| Net amount at June 30, 2011 | 214,248 |

| (in €thousands) | Six months to June 30, 2010 |
|------------------------------------|--------------------------------|
| Net amount at January 1, 2010 | 214,048 |
| Net amount at June 30, 2010 | 214,048 |

5.2. OTHER INTANGIBLE ASSETS

| (in €thousands) | Six months to June 30, 2011 |
|------------------------------------|--------------------------------|
| Net amount at January 1, 2011 | 299,242 |
| Acquisitions | 403,973 |
| Disposals | 0 |
| Amortization and impairment | (1,849) |
| Reclassifications | (24,609) |
| Other impacts | (265) |
| Net amount at June 30, 2011 | 676,492 |

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

During the first half of 2011, the Group stepped up the rollout of its mobile telephony network, which resulted in the signature of agreements granting the Group certain long-term rights.

5.3. PROPERTY, PLANT AND EQUIPMENT

| (in €thousands) | Six months to June 30, 2011 |
|--------------------------------------|--------------------------------|
| Net amount at January 1, 2011 | 1,337,119 |
| Acquisitions (1) | 434,100 |
| Disposals | (8,207) |
| Depreciation and impairment | (149,885) |
| Reclassifications | 23,686 |
| Other impacts | (129) |
| Net amount at June 30, 2011 | 1,636,684 |

(1) Including €1,477,000 in assets acquired under finance leases.

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

(1) Including €6,024,000 in assets acquired under finance leases.

During the first half of 2011 the Group kept up its capital spending drive for growth projects. This included the following:

- ADSL-related capital expenditure incurred to extend the coverage of the optical fiber network (including through IRUs) and further improve and renew network equipment. In first-half 2011 the Group unbundled more than 250 new France Telecom sites.
- Expenditure to expand its operations and manage the ADSL subscriber base (including investments in Freebox modems and service access fees).
- Further investments as part of its FTTH rollout.
- Further capital outlay for the Group's mobile telephony network after Iliad was awarded a 3G mobile telephony license in January 2010.

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. 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 6: SHARE CAPITAL AND DIVIDENDS**6.1. 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 and the second tranche since December 20, 2010.

In first-half 2011, 63,001 stock options were exercised for the same number of new shares. The Group's share capital therefore increased by €14,000, to €12,135,000 at June 30, 2011 from €12,121,000 at December 31, 2010.

6.2. DIVIDENDS

At the Annual General Meeting held on May 24, 2011, the Group's shareholders resolved to pay a dividend of €0.40 per share, representing a total payout of €1,981,000.

The dividend was paid on July 7, 2011.

| |
|---------------------------|
| NOTE 7: BORROWINGS |
|---------------------------|

| Borrowings | At June 30, 2011 | At June 30, 2010 |
|-----------------------|------------------|------------------|
| Long-term borrowings | 1,269,045 | 996,839 |
| Short-term borrowings | 366,412 | 125,272 |
| Total | 1,635,457 | 1,122,111 |

Movements in borrowings can be analyzed as follows:

| (in € thousands) | Six months to June 30, 2011 |
|---|-----------------------------|
| Borrowings at January 1, 2011 | 1,036,164 |
| New borrowings (1) | 607,578 |
| Repayments of borrowings | (8,133) |
| Interest on OCEANE bonds and bond premium | 161 |
| Change in other bank borrowing facilities | 4,624 |
| Impact of cash flow hedges | (8,279) |
| Other | 3,342 |
| Total borrowings at June 30, 2011 | 1,635,457 |

(1) Including €1,477,000 in finance lease-related liabilities.

| (in € thousands) | Six months to June 30, 2010 |
|---|-----------------------------|
| Borrowings at January 1, 2010 | 1,298,778 |
| 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 |
| Total borrowings at June 30, 2010 | 1,122,111 |

(1) Including €6,024,000 in finance lease-related liabilities.

A €1,400 million syndicated credit facility

On June 9, 2010 the Group set up a €1,400 million syndicated credit facility. This new facility – which was arranged with a pool of 11 international banks – comprises two tranches:

- A €600 million loan tranche to refinance the Group's net debt, which was fully drawn down at June 30, 2011.
- A revolving tranche of €800 million expiring in June 2015. None of this tranche had been drawn down at June 30, 2011.

Loan granted by the European Investment Bank (EIB)

The EIB has granted Iliad a €150 million loan in order to help finance the rollout of the Group's ADSL and FTTH networks. The loan has a 10-year term and is repayable in installments.

A total of €100 million of the loan had been used at June 30, 2011.

A €500 million bond issue

On May 26, 2011 the Group issued €500 million worth of bonds paying interest at 4.875% per year.

The bonds will be redeemed at par on June 1, 2016.

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| NOTE 8: PROVISIONS |
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| Six months to June 30, 2011 | Provisions for claims and litigation | Other provisions | Total |
|----------------------------------|--|---------------------|---------------|
| At January 1, 2011 | 23,945 | 1,805 | 25,750 |
| Additional provisions | 1,506 | 0 | 1,506 |
| Utilized during the period | (739) | (69) | (808) |
| Reversals of surplus provisions | (763) | (90) | (853) |
| Other movements | (5) | 0 | (5) |
| At June 30, 2011 | 23,944 | 1,646 | 25,590 |
| <i>o/w long-term provisions</i> | | | <i>1,393</i> |
| <i>o/w short-term provisions</i> | | | <i>24,197</i> |

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

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| NOTE 9: OTHER NON-CURRENT LIABILITIES |
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| | At June 30, 2011 | At June 30, 2010 |
|-------------------------------|------------------|------------------|
| Other non-current liabilities | 346,107 | 1,874 |
| Total | 346,107 | 1,874 |

The year-on-year increase is primarily attributable to the mobile telephony project.

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| NOTE 10: CORPORATE INCOME TAX |
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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, 2011 | Six months to June 30, 2010 |
|-------------------------------------|--------------------------------|--------------------------------|
| Current taxes on value added (CVAE) | 8,618 | 6,892 |
| Deferred taxes | (1,690) | 95,242 |
| Current taxes | 76,186 | 0 |
| Total tax charge | 83,114 | 102,134 |

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

| | Six months to June 30, 2011 (€per share) | Six months to June 30, 2010 (€per share) |
|--|---|---|
| Earnings per share from continuing operations | | |
| . Basic | 2.66 | 3.14 |
| . Diluted | 2.56 | 3.01 |
| Earnings/(loss) per share from discontinued operations | | |
| . Basic | (0.01) | 0 |
| . Diluted | (0.01) | 0 |

NOTE 12: COMMITMENTS***Lease and network commitments***

There were no significant changes in lease and network commitments during the first half of 2011.

Other commitments

The Group's financial commitments related to its borrowings are described in Note 7.

There were no significant changes in other commitments given or received by the Iliad Group during the six months ended June 30, 2011.

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| NOTE 13: FINANCIAL RISK MANAGEMENT |
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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 2011 the Group decided to convert €1,150 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, 2011:

| (in € thousands) | Within 1 year | Beyond 1 year |
|----------------------|---------------|---------------|
| Currency hedges | 2,485 | 0 |
| Interest rate hedges | 780 | 6,627 |

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| NOTE 14: RELATED-PARTY TRANSACTIONS |
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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 2011 and 2010 breaks down as follows:

| (in €thousands) | Six months to June 30, 2011 | Six months to June 30, 2010 |
|----------------------------|--------------------------------|--------------------------------|
| ▪ Total compensation | 1,022 | 1,089 |
| ▪ Short-term benefits | 0 | 0 |
| ▪ Post-employment benefits | 0 | 0 |
| ▪ Other long-term benefits | 0 | 0 |
| ▪ Termination benefits | 0 | 0 |
| ▪ Share-based payments | 2,174 | 1,854 |
| Total | 3,196 | 2,943 |

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

In July 2011 Free signed an agreement with France Telecom-Orange to jointly finance FTTH networks to be rolled out in less densely populated areas. The agreement covers approximately 60 conurbations, representing 5 million homes.

The joint financing arrangement selected allows Free to only invest the amounts required for the lines needed to serve its own subscribers, in contrast to very densely populated areas where each operator rolls out a network for all lines, up to each building. The overall arrangement also includes a backhaul offering.