ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2009

CONTENTS

INTERIM CONSOLIDATED INCOME STATEMENT

(in € thousands)	Note	Six months to June 30, 2009	Six months to June 30, 2008
Revenues		**969,849**	**692,194**
Purchases used in production		(469,390)	(339,148)
Payroll costs		(58,051)	(27,377)
External charges		(75,661)	(38,889)
Taxes other than on income		(22,472)	(11,877)
Additions to provisions		(27,136)	(9,138)
Other income and expenses from operations, net		(9,377)	(8,903)
Earnings before interest, tax, depreciation and amortization (EBITDA)		***307,762***	***256,862***
Share-based payment expense		(3,652)	(2,520)
Depreciation and amortization		(147,140)	(126,351)
Profit from ordinary activities		**156,970**	**127,991**
Other operating income and expense, net	6	(23,141)	0
Operating profit		**133,829**	**127,991**
Income from cash and cash equivalents		3,829	6,249
Finance costs, gross		(30,506)	(7,627)
Finance costs, net		**(26,677)**	**(1,378)**
Other financial income and expense, net		1,603	(134)
Corporate income tax	12	(37,792)	(43,547)
Profit for the period before profit from discontinued operations		**70,963**	**82,932**
Profit, net of taxes, from discontinued operations	7	**1,010**	**0**
PROFIT FOR THE PERIOD		**71,973**	**82,932**
Attributable to:			
▪ *Owners of the Company*		***71,811***	***82,824***
▪ *Minority interests*		***162***	***108***
. Basic earnings per share from continuing operations (in €)	*13*	***1.30***	***1.53***
. Diluted earnings per share from continuing operations (in €)	*13*	***1.30***	***1.50***
. Basic earnings per share from discontinued operations (in €)	*13*	***0.02***	***0***
. Diluted earnings per share from discontinued operations (in €)	*13*	***0.02***	***0***
. Basic earnings per share (in €)	*13*	***1.32***	***1.53***
. Diluted earnings per share (in €)	*13*	***1.32***	***1.50***

INTERIM STATEMENT OF COMPREHENSIVE INCOME

(in € thousands)	Note	Six months to June 30, 2009	Six months to June 30, 2008
PROFIT FOR THE PERIOD……………………………		**71,973**	**82,932**
OTHER COMPREHENSIVE INCOME			
Income and expenses recognized in equity:			
▪ Fair value gains/(losses) on interest rate and currency hedging instruments, net of tax		(4,899)	(1,847)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**67,074**	**81,085**

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

(in € thousands)	Note	At June 30, 2009	At Dec. 31, 2008
Goodwill………………………………………………	8	171,095	164,835
Intangible assets………………………………………	8	84,561	87,997
Property, plant and equipment…………………………..	8	1,062,818	996,541
Other long-term financial assets…………………………		11,326	4,471
Deferred income tax assets………………………………	12	259,631	291,147
TOTAL NON-CURRENT ASSETS…………………..		**1,589,431**	**1,544,991**
Inventories ……………………………………..……..		1,297	1,665
Current income tax assets ….……………………………		602	100,724
Trade and other receivables …………………………….		182,391	257,106
Cash and cash equivalents ………………………………		596,164	335,733
TOTAL CURRENT ASSETS ………………………..		**780,454**	**695,228**
ASSETS HELD FOR SALE ………………………….		**25,271**	**16,790**
TOTAL ASSETS ………………………………………		**2,395,156**	**2,257,009**

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

(in € thousands)	Note	At June 30, 2009	At Dec. 31, 2008
Share capital………………………………….……..…..	9	12,082	12,062
Additional paid-in capital …..……………..…………….		90,587	89,121
Retained earnings and other reserves ………..…...……..		548,959	496,365
TOTAL EQUITY ……………………………………..		**651,628**	**597,548**
. Attributable to owners of the Company ….…………………………..		***651,061***	***597,133***
. Minority interests …………………………………………..…………….		***567***	***415***
Long-term provisions …………………………………	11	1,281	1,147
Long-term financial liabilities …………….…..……….	10	1,275,068	1,198,324
Deferred income tax liabilities ……………….....………	12	19,347	19,347
Other non-current liabilities ….………….………….		2,763	8,985
TOTAL NON-CURRENT LIABILITIES …………...		**1,298,459**	**1,227,803**
Short-term provisions ……………………………………	11	22,253	33,661
Taxes payable ………………………………………..		386	141
Trade and other payables ………………………………		389,659	378,407
Short-term financial liabilities …………………………..	10	32,771	19,449
TOTAL CURRENT LIABILITIES …………………...		**445,069**	**431,658**
TOTAL EQUITY AND LIABILITIES ………………..		**2,395,156**	**2,257,009**

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, 2008	**12,000**	**84,624**	**(1,987)**	**25,132**	**396,924**	**516,693**
Movements in first-half 2008						
▪ Profit for the period					82,932	82,932
▪ Income and expenses recognized in equity:						
✓ Impact of currency hedges				(1,847)		(1,847)
Total income and expenses recognized in equity				***(1,847)***	***82,932***	***81,085***
▪ Capital increase	58	4,236				4,294
▪ Dividends paid by Iliad SA					(16,914)	(16,914)
▪ Dividends paid by subsidiaries						
▪ Purchases/sales of own shares			(1,055)			(1,055)
▪ Impact of stock options				2,520		2,520
▪ Equity component of convertible bonds						
▪ Other				12		12
At June 30, 2008	**12,058**	**88,860**	**(3,042)**	**25,817**	**462,942**	**586,635**
Total equity at January 1, 2009	**12,062**	**89,121**	**(4,589)**	**20,494**	**480,460**	**597,548**
Movements in first-half 2009						
▪ Profit for the period					71,973	71,973
▪ Income and expenses recognized in equity:						
✓ Impact of interest rate and currency hedges				(4,899)		(4,899)
Total income and expenses recognized in equity				***(4,899)***	***71,973***	***67,074***
▪ 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
▪ Equity component of convertible bonds						
▪ Other				(3)		(3)
At June 30, 2009	**12,082**	**90,587**	**(4,167)**	**19,244**	**533,882**	**651,628**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Note	Six months to June 30, 2009	Six months to June 30, 2008
Profit for the period (including minority interests)		**71,973**	**82,932**
+ / - Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges (excluding restructuring costs)	4	143,806	126,448
- / + Unrealized gains and losses on changes in fair value		(524)	0
+ / - Income and expenses related to stock options and other share-based payments		3,652	2,520
- / + Other income and expenses, net		1,607	355
- / + Gains and losses on disposals of assets		(4,187)	(3,814)
- / + Dilution gains and losses		0	0
+ / - Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
- Restructuring costs		23,141	0
Cash flows from operations after finance costs, net, and income tax (excluding restructuring costs)		**239,468**	**208,441**
+ Finance costs, net		26,677	1,378
+ / - Income tax expense (including deferred taxes)		37,792	43,547
Cash flows from operations before finance costs, net, and income tax (excluding restructuring costs) (A)		**303,937**	**253,366**
- *Income tax paid* **(B)**		100,364	(44,738)
+ / - Change in operating working capital requirement (including employee benefit obligations) **(C)**		21,072	9,135
= Net cash generated from operating activities before restructuring costs (D) = (A + B + C)		**425,373**	217,763
- Restructuring costs **(E)**		(25,141)	0
= Net cash generated from operating activities after restructuring costs (F) = (D + E)		**400,232**	**217,763**
- Acquisitions of property, plant and equipment and intangible assets	4	(221,454)	(175,096)
+ Disposals of property, plant and equipment and intangible assets		5,195	7,193
- 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		43,337	(740)
+ / - Effect of changes in Group structure – disposals		0	2,000
+ Dividends received from associates and non-consolidated undertakings		0	0
+ / - Change in outstanding loans and advances		(6,851)	(139)
+ Investment grants received		0	0
+ / - Other		(8,481)	(5,164)
= Net cash used in investing activities (G)		**(188,254)**	**(171,946)**
+ Proceeds from capital increases:			
. Paid by owners of the parent company		0	0
. Paid by minority shareholders of consolidated companies		0	0
+ Proceeds received on the exercise of stock options		1,486	3,776
- / + Own-share transactions		422	(1,055)
- Dividends paid during the period:			
. Dividends paid to owners of the parent company		0	0
. Dividends paid to minority shareholders of consolidated companies		0	0
+ Proceeds from new borrowings		105,022	0
- Repayment of borrowings (including finance leases)	10	(47,899)	(4,085)
- Net interest paid (including on finance leases)		(28,302)	(1,997)
= Net cash generated from (used in) financing activities (H)		**30,729**	**(3,361)**
+ / - Effect of exchange-rate movements on cash and cash equivalents **(I)**		(2)	(6)
= Net change in cash and cash equivalents (F + G + H + I)		**242,705**	**42,450**
Cash and cash equivalents at beginning of period	4	**337,441**	**223,089**
Cash and cash equivalents at period-end	4	**580,146**	**265,539**

NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2009

1-1. SCOPE OF CONSOLIDATION AT JUNE 30, 2009

Changes in the scope of consolidation during first-half 2009 concerned the following:

- Purchases of minority interests in Freebox.
- Purchases of minority interests in Citéfibre for the purpose of delisting the company. Citéfibre was delisted from Euronext's *Marché Libre* on April 16, 2009.

1-2. BUSINESS REVIEW

The following factors impacted the Iliad Group's operations during the first half of 2009:

- A strong increase in Broadband revenues, particularly from Internet access services and optional value-added services available through the Freebox. These optional services – particularly the Free Home Video offering (S-VoD) – continue to appeal to many subscribers.
- Numerous new television partnerships, which allowed the Group to enhance its selection of High Definition (HD) TV channels.
- An increase in the number of countries included in the Freebox flat rate for telephone calls.
- The introduction of a new Alicebox modem.
- Launch of the Free-wifi network which gives Free unbundled ADSL users free Internet access through Wi-Fi hotspots in unbundled areas.

At June 30, 2009, the Group's operations had not been affected by the global economic downturn. Similarly, the financial markets crisis did not have a significant impact on the first-half 2009 financial statements. The Iliad Group has not identified any erosion in its business levels and is still confident about its profit-making capacity.

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'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 and Iliad Telecom (landline telephony operators), and IFW (specialized in Wimax).

The consolidated financial information for the six months ended June 30, 2009 was approved by the Board of Directors on August 26, 2009.

2.2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2009 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, 2008.

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 provisions for impairment of property, plant and equipment and intangible assets; and

- share-based payment expense.

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, 2008, as described therein. However, as part of its analysis of the estimated useful lives applied for depreciating and amortizing non-current assets begun in late 2008, in first-half 2009 the Group increased the depreciation periods applicable to modems, access fees to the France Télécom service and certain network components from three to four years. This change in accounting estimate had a €48 million positive impact on the financial statements for the six months ended June 30, 2009.

The following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2009:

- *Revised version of IAS 1, Presentation of Financial Statements* (effective from January 1, 2009). Under this revised standard, entities are required to present a statement of comprehensive income that shows profit for the period and income and expenses recognized directly in equity. Entities can choose whether to present this statement alone or two statements (the statement of comprehensive income and the income statement). The Group has elected to present two statements.

The following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2009 but did not impact the Group's interim financial statements:

- *IFRS 8, Operating Segments* (effective from January 1, 2009). This new standard requires entities to disclose information to enable users of their financial statements to evaluate the nature and financial effects of the business activities in which they engage and the economic environments in which they operate.

  IFRS 8 defines what an operating segment is and specifies the disclosures required. Management considers that the segment presentation that the Group already used for the purposes of IAS 14 complies with the criteria in IFRS 8. Consequently the adoption of IFRS 8 did not impact the Group's financial statements.

- *Amendment to IAS 23, Borrowing Costs* (effective from January 1, 2009). This amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is no longer available. Management believes that the Group's application of the amended version of IAS 23 did not have a material impact on the consolidated financial statements in view of the low level of borrowing costs that could be capitalized in connection with the capital expenditure incurred by the Group.

- *Amendment to IFRS 2, Share-based Payment* (effective from January 1, 2009). The amended standard clarifies that vesting conditions are service conditions and performance conditions only and states that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management considers that in view of the volumes concerned, cancellations of share-based payments did not have a material impact on the consolidated financial statements.

- *Amendments to IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective from January 1, 2009). The amendment to IFRS 1 specifies the accounting treatment applicable by first-time adopters of IFRS when measuring the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment is not relevant to the Group's operations.

  In the revised version of IAS 27 the definition of the cost method has been removed and replaced with a requirement to present dividends received from a subsidiary, jointly controlled entity or associate as income in the separate financial statements of the investor, even when the dividend is paid out of pre-acquisition retained earnings. Iliad already recognizes dividends received from its equity interests as income.

- *IFRIC 13, Customer Loyalty Programmes* (effective from January 1, 2009). This interpretation provides guidance on how to account for customer loyalty award credits. After reviewing the effect of applying IFRIC 13, Management considers that this interpretation did not have a material impact on the consolidated financial statements.

The following new standards, amendments to existing standards and interpretations are effective from January 1, 2009 but are not currently relevant to the Group's operations:

- *Amendments to IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). These amendments prescribe the accounting treatment to be applied for financial instruments issued by an entity that have characteristics similar to ordinary shares but which are currently classified as financial liabilities. In accordance with the amendments these instruments must now be classified as equity. Additional disclosures are required in relation to these instruments and new reclassification rules apply. Management considers that the Group's application of the amendments to IAS 32 and IAS 1 did not affect the consolidated financial statements as Iliad has not issued any such instruments.

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset: Minimum Funding Requirements and their Interaction* (effective from January 1, 2009). This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits where dedicated plan assets exist. It is not relevant to the Iliad Group.

- *IFRIC 15, Agreements for the Construction of Real Estate* (effective from January 1, 2009). IFRIC 15 clarifies the treatment to be applied in accounting for revenue by entities that undertake the construction of real estate, either directly or through subcontractors. In addition to the construction of real estate, agreements within the scope of IFRIC 15 may include the delivery of other goods or services. This interpretation is not relevant to Iliad as the Group does not carry out any real estate construction operations.

The following amendments to existing standards and interpretations have been issued, but are not effective for the financial year beginning January 1, 2009 and have not been early adopted by the Group:

- *Revised version of IFRS 3, Business Combinations (phase 2) and consequential amendments to IAS 27, Consolidated and Separate Financial Statements* (effective from 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 will apply the revised versions of IFRS 3 and IAS 27 to all business combinations from January 1, 2010.
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (effective from 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. The Iliad Group will apply this interpretation from January 1, 2010 but it is not expected to have a material impact on the consolidated financial statements.

NOTE 3: OPERATING SEGMENTS

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, defined using criteria directly based on its organizational structure and internal reporting systems:

- The **Broadband** segment, which includes Internet service provider operations (marketed under the Free and Alice brands), hosting services (marketed under the Online, BookMyName, Alice and Dedibox brands), call center operations (Centrapel, Total Call and Free), Wimax activities (IFW), and operations related to the rollout of the FTTH (fiber-to-the-home) network (IRE, Immobilière Iliad, Free Infrastructure and Citéfibre).

- The **Traditional Telephony** segment, which includes switched landline telephony (One.Tel and Iliad Telecom), resale of airtime to operators (Alice), directory services (mainly the ANNU reverse look-up directory accessible by Minitel, telephone, Internet and SMS text messaging) and e-commerce operations (Assunet.com).

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, 2009	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	961,010	8,839		
Inter-segment revenues	2,723	11,195	(13,918)	**0**
Total revenues	963,733	20,034	(13,918)	**969,849**
Earnings				
EBITDA	306,608	1,154	0	**307,762**
Share-based payment expense	3,041	611	0	**3,652**
Depreciation and amortization	147,072	68	0	**147,140**
Profit from ordinary activities	156,495	475	0	**156,970**
Number of employees at period-end	3,771	54	0	**3,825**

Six months to June 30, 2008	Broadband	Traditional Telephony	Inter-segment	Total
Revenues				
External revenues	679,612	12,582		
Inter-segment revenues	4,474	8,886	(13,360)	**0**
Total revenues	684,086	21,468	(13,360)	**692,194**
Earnings				
EBITDA	254,393	2,469	0	**256,862**
Share-based payment expense	2,135	385	0	**2,520**
Depreciation and amortization	126,252	99	0	**126,351**
Profit from ordinary activities	126,006	1,985	0	**127,991**
Number of employees at period-end	2,682	55	0	**2,737**

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, 2009	Six months to June 30, 2008
Depreciation and amortization:			
▪ Amortization of intangible assets	8.2	10,443	865
▪ Depreciation of property, plant and equipment	8.3	136,765	125,486
Additions to provisions for contingencies and charges	11	17,862	428
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	11	(23,675)	(39)
▪ Surplus provisions	11	(4,576)	(297)
▪ Reclassifications		(6,885)	0
Additions to provisions for long-term investments		(449)	5
Elimination of net additions to and reversals of provisions for restructuring costs		14,321	0
Recognized in statement of cash flows		**143,806**	**126,448**

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

(in € thousands)	Note	Six months to June 30, 2009	Six months to June 30, 2008
▪ Intangible assets	8.2	1,056	849
▪ Property, plant and equipment (excl. new finance leases)	8.3	212,686	181,796
▪ Suppliers of non-current assets (excl. VAT)			
. at beginning of period		90,347	64,277
. at period-end		(82,635)	(71,826)
Recognized in statement of cash flows		**221,454**	**175,096**

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

(in € thousands)	Note	At June 30, 2009	At June 30, 2008
▪ Cash		6,708	7,290
▪ Marketable securities		591,133	267,103
▪ Short-term borrowings		(17,695)	(8,854)
Recognized in the statement of cash flows		**580,146**	**265,539**

NOTE 5: ADDITIONAL INFORMATION

On August 26, 2008 the Iliad Group purchased from Telecom Italia Spa the entire capital of Liberty Surf Group SAS, a holding company that owned the following two principal subsidiaries:

- Telecom Italia SAS, which was an internet service provider operating in France under the Alice brand.

- Intercall SA, which specialized in prepaid phone cards. This company did not fit with the Iliad Group's development strategy and was sold on November 28, 2008.

In December 2008, the Group reorganized its internet service provider business by grouping all of these operations within one legal structure. As a result, Telecom Italia SAS was merged into its parent company, Liberty Surf Group SAS which was in turn merged with Free SAS.

The following table presents pro forma data for first-half 2008 adjusted for the impact of the Liberty Surf Group acquisition as if it had occurred on January 1, 2008.

(in € millions)	**Consolidated interim financial statements at June 30, 2008 including the impact of acquisitions at January 1, 2008 (excluding adjustments)**	**Adjustments (*)**	**Pro forma data for the six months to June 30, 2008**
Revenues	913.2	(53.8)	859.4
EBITDA	209.3	4.7	214.0
Profit/(loss) for the period	(46.4)	35.2	(11.2)

(*) Taking into account (i) the impact of operations discontinued due to the termination of their ties with the Telecom Italia SPA group or pursuant to a decision taken by the Iliad Group; and (ii) adjustments to the provisional fair values recognized on the initial accounting for the business combination.

This consolidated data was drawn up based on the historical accounts of the Iliad Group and the Liberty Surf Group and prepared in accordance with the Iliad Group's accounting policies. It does not represent the performance that the consolidated group would have achieved if the acquisition had actually taken place on January 1, 2008 and is not representative of the Iliad Group's performance.

NOTE 6: OTHER OPERATING INCOME AND EXPENSE, NET

This item breaks down as follows:

(in € thousands)	Six months to June 30, 2009	Six months to June 30, 2008
▪ Restructuring costs	23,141	0
Total	**23,141**	**0**

Following the acquisition of Liberty Surf Group, as from 2008 Iliad incurred costs for (i) restructuring the operations conducted under the Alice brand with a view to making them profitable and (ii) combining these operations with Free's business. The Group decided to disclose these restructuring costs separately as they represent a material non-recurring amount.

In first-half 2009 restructuring costs primarily concerned:

- Expenses incurred to combine the IT systems and other technical tools of Telecom Italia SAS and Free SAS and render them compatible as well as the commercial impact of the difficulties arising from these operations.

- An additional provision recorded for the Redeployment Plan decided on in late 2008.

- Costs incurred in relation to renegotiating or terminating contracts.

NOTE 7: PROFIT FROM DISCONTINUED OPERATIONS

On February 7, 2007, Iliad sold its entire interest in Kertel for €20,661,000. The sale price included €6 million in vendor finance repayable between June 29, 2007 and December 31, 2007. The first two repayments of €2 million were received in 2007 and the final installment was received in early 2008.

The sale agreement included an earn-out clause based on Kertel's EBIDTA for 2007.

In first-half 2009, the final amount of the earn-out payment was set at €1,010,000. This sum was paid in two installments as follows:

- €606,000 paid on June 30, 2009.
- €404,000 paid on July 31, 2009.

NOTE 8: CAPITAL EXPENDITURE

8.1. GOODWILL

(in € thousands)	Six months to June 30, 2008
Net amount at January 1, 2008	**31,206**
Increase following acquisitions:	
. Freebox	1,032
Net amount at June 30, 2008	**32,238**

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

Iliad acquired Liberty Surf Group on August 26, 2008.

The fair values of the identifiable assets, liabilities and contingent liabilities acquired were still in the process of being analyzed at June 30, 2009.

Based on provisional fair values, total goodwill of €138,389,000 has been recognized relating to Liberty Surf Group, including €5,792,000 recorded during first-half 2009.

8.2. Other intangible assets

(in € thousands)	Six months to June 30, 2008
Net amount at January 1, 2008	**56,546**
Acquisitions	849
Disposals	0
Amortization	(865)
Impact of changes in Group structure	0
Net amount at June 30, 2008	**56,530**

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

8.3. Property, plant and equipment

(in € thousands)	Six months to June 30, 2008
Net amount at January 1, 2008	**676,600**
Acquisitions (1)	189,099
Disposals	(3,373)
Depreciation	(125,486)
Impact of changes in Group structure	0
Net amount at June 30, 2008	**736,840**

(1) Including €7,303,000 in assets acquired under finance leases.

(in € thousands)	Six months to June 30, 2009
Net amount at January 1, 2009	**996,541**
Acquisitions (1)	221,116
Disposals	(1,006)
Depreciation	(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)
Net amount at June 30, 2009	**1,062,818**

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

During the first half of 2009, the Group continued to invest in expanding its operations and managing the ADSL subscriber base (including investments in Freebox modems and service access fees, as well as investments in Alice Box modems). It also pursued its capital expenditure programs relating to its ADSL operator business by extending the coverage of its optical fiber network (including through IRUs) and by further improving and renewing network equipment. In the six months to June 30, 2009 the Group unbundled almost 175 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.

8.4. 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. No such events or changes in circumstances were identified at June 30, 2009.

NOTE 9: SHARE CAPITAL AND DIVIDENDS

9.1. SHARE CAPITAL

Stock options granted by the Iliad Group on January 20, 2004 have been exercisable by their beneficiaries since January 20, 2008.

In first-half 2009, 91,185 stock options were exercised for the same number of new shares. The Group's share capital therefore increased by €20,000 to €12,082,000 at June 30, 2009.

9.2. DIVIDENDS

At the Annual General Meeting held on June 23, 2009, the Group's shareholders resolved to pay a dividend of €0.34 per share, representing a total payout of €18,551,000.

Shares were quoted ex-dividend on July 17, 2009, corresponding to the dividend payment date.

NOTE 10: BORROWINGS

Borrowings	At June 30, 2009	At December 31, 2008
Long-term borrowings	1,275,068	1,198,324
Short-term borrowings	32,771	19,449
Total	**1,307,839**	**1,217,773**

Movements in borrowings can be analyzed as follows:

(in € thousands)	Six months to June 30, 2008
Borrowings at January 1, 2008	**355,363**
New borrowings (1)	7,303
Repayments of borrowings	(4,085)
Interest on OCEANE bonds and bond premium	(254)
Change in other bank borrowing facilities	(2,837)
Impact of cash flow hedges	2,816
Impact of changes in Group structure	0
Other	(11)
Total borrowings at June 30, 2008	**358,295**

(1) Including €7,303,000 in finance lease-related liabilities.

(in € thousands)	Six months to June 30, 2009
Borrowings at January 1, 2009	**1,217,773**
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
Total borrowings at June 30, 2009	**1,307,839**

(1) Including €8,430,000 in finance lease-related liabilities.

NOTE 11: PROVISIONS

Six months to June 30, 2008	Provisions for claims and litigation	Other provisions	Total
At January 1, 2008	**1,152**	**1,416**	**2,568**
Additional provisions	289	139	**428**
Utilized during the period	(39)	0	**(39)**
Reversals of surplus provisions	(297)	0	**(297)**
Impact of changes in Group structure	0	0	**0**
Reclassifications	0	(538)	**(538)**
At June 30, 2008	**1,105**	**1,017**	**2,122**
o/w long-term provisions			*1,017*
o/w short-term provisions			*1,105*

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

NOTE 12: 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 2009 is 34.43%, on a par with the actual effective tax rate for full-year 2008.

Deferred taxes

Movements in deferred taxes in first-half 2009 can be analyzed as follows:

Type of movement	Value of DT assets/ (liabilities) at Jan. 1, 2009	Credits	Charges	Changes in Group structure (adjustments to provisional fair values recognized within twelve months of the acquisition date)	Currency translation	Other	Value of DT assets/ (liabilities) at June 30, 2009
Recognition of deferred tax assets arising from tax loss carryforwards	295,546		(37,792)				257,754
Consolidation entries	(8,237)			3,827		2,449	(1,961)
Temporary differences	3,175						3,175
Other	(18,684)						(18,684)
Total	**271,800**		**(37,792)**	**3,827**		**2,449**	**240,284**

DT assets at Jan. 1, 2009	291,147
DT liabilities at Jan. 1, 2009	(19,347)
Net DT assets at Jan. 1, 2009	**271,800**

DT assets at June 30, 2009	259,631
DT liabilities at June 30, 2009	(19,347)
Net DT assets at June 30, 2009	**240,284**

NOTE 13: EARNINGS PER SHARE

Earnings per share attributable to owners of the Company can be analyzed as follows between continuing and discontinued operations:

	Six months to June 30, 2009 (€ per share)	**Six months to June 30, 2008 (€ per share)**
Earnings per share from continuing operations		
. Basic	1.30	1.53
. Diluted	1.30	1.50
Earnings per share from discontinued operations		
. Basic	0.02	0
. Diluted	0.02	0

NOTE 14: COMMITMENTS

At June 30, 2009, the Group had access to:

- A €950 million credit facility set up to finance the acquisition of Liberty Surf Group, of which it had drawn down €906.5 million at June 30, 2009.

- A €250 million revolving credit facility, none of which had been used at the period-end.

One of the Group's financial partners has given a €3 million financial guarantee to the Paris City authorities in connection with the right to use public land granted by said authorities to the Iliad Group in 2006.

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 agreed to 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. The master lease agreement was extended to December 31, 2009 during the first half of 2008, and the aggregate maximum value of the property acquisitions covered was increased by €15 million to €65 million. At June 30, 2009, the Group had used €25,722,000 of this amount.

Iliad has also set up a strategic partnership with Chiligaming (part of the Gaminvest Holding Ltd. group) with a view to offering online gaming facilities in France when permitted by the applicable regulations following the opening up of the French on-line gaming and betting market.

NOTE 15: FINANCIAL RISK MANAGEMENT

At the end of 2008 the Group updated its production plans for 2009 and accordingly adjusted its forecast outflows in US dollars for 2009 and 2010. The resulting additional hedging requirements have been covered by purchases of calls.

The Iliad Group set up a €1,200 million syndicated credit facility to finance its acquisition of Liberty Surf Group. As a protection against interest rate fluctuations, when the line of credit was set up the Group also purchased swaps converting interest on a notional amount of €400 million from a variable rate indexed to the 3-month Euribor to a fixed rate. The swaps hedge €400 million worth of variable rate debt with the same maturity as the swaps.

The following table analyzes the fair value of interest rate and currency hedges by maturity at June 30, 2009:

(in € thousands)	Within 1 year	Beyond 1 year
Currency hedges	1,677	0
Interest rate hedges	0	28,439

NOTE 16: RELATED-PARTY TRANSACTIONS

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 2009 and 2008 breaks down as follows:

(in € thousands)	Six months to June 30, 2009	Six months to June 30, 2008
▪ Total compensation	908	864
▪ Short-term benefits	0	0
▪ Post-employment benefits	0	0
▪ Other long-term benefits	0	0
▪ Termination benefits	0	0
▪ Share-based payments	1,737	1,358
Total	**2,645**	**2,222**

In addition, in the first half of 2009, Iliad purchased a number of Freebox shares held by certain of the Group's executive managers for €360,000.

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

The Iliad Group has put itself forward as a candidate for the fourth French mobile phone license.

Between July 1, 2009 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, 2009.