ILIAD GROUP
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2012

CONTENTS

INTERIM CONSOLIDATED INCOME STATEMENT

In € thousands	Note	Six months to June 30, 2012	Six months to June 30, 2011
Revenues ……………………………………………………………		**1,444,343**	**1,041,562**
Purchases used in production ……………………………………		(769,962)	(461,657)
Payroll costs ………………………………………………………		(82,939)	(59,599)
External charges …………………………………………………		(95,816)	(74,353)
Taxes other than on income………………………………………		(14,535)	(11,527)
Additions to provisions……………………………………………		(56,025)	(13,520)
Other income and expenses from operations, net…………………		(7,746)	(4,525)
EBITDA (1) ……………………………………………………		***417,320***	***416,381***
Share-based payment expense………………………………………		(5,783)	(4,815)
Depreciation, amortization and provisions for impairment of non-current assets		(233,037)	(151,734)
Profit from ordinary activities………………………………		**178,500**	**259,832**
Other operating income and expense, net …………………………		(3,624)	0
Operating profit ……………………………………………………		**174,876**	**259,832**
Income from cash and cash equivalents……………………………		1,398	3,045
Finance costs, gross…………………………………………………		(28,213)	(25,028)
Finance costs, net…………………………………………………		**(26,815)**	**(21,983)**
Other financial income and expense, net…………………………		(15,122)	(9,180)
Corporate income tax………………………………………………		(53,361)	(83,114)
Profit for the period from continuing operations………………………		**79,578**	**145,555**
Profit/(loss), net of taxes, from discontinued operations and assets held for sale		**0**	**(529)**
Profit for the period…………………………………………………		**79,578**	**145,026**
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS (1)		**81,894**	**145,555**
Attributable to:			
▪*Owners of the Company*		***81,562***	***145,011***
▪*Minority interests*		***(1,984)***	***15***
Earnings per share (in €):			
▪*Basic earnings per share*		***1.39***	***2.65***
▪*Diluted earnings per share*		***1.37***	***2.55***
Earnings per share from continuing operations (in €):			
▪*Basic earnings per share*		***1.39***	***2.66***
▪*Diluted earnings per share*		***1.37***	***2.56***

(1) See definition on page 10.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

In € thousands	Note	Six months to June 30, 2012	Six months to June 30, 2011
PROFIT FOR THE PERIOD……………………………….		**79,578**	**145,026**
▪ Fair value gains/(losses) on interest rate and currency hedging instruments, net of tax………………………………………		(9,407)	4,969
Total income and expenses recognized directly in equity……		**(9,407)**	**4,969**
Total comprehensive income for the period……………………		**70,171**	**149,995**

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

PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS

In € thousands	Note	Six months to June 30, 2012	Six months to June 30, 2011
PROFIT FOR THE PERIOD……………………………………………		**79,578**	**145,026**
▪ Other operating income and expense, net		3,624	0
▪ Corresponding tax impact		(1,308)	0
▪ Profit, net of taxes, from discontinued operations and assets held for sale		0	529
PROFIT FOR THE PERIOD BEFORE NON-RECURRING ITEMS		**81,894**	**145,555**

INTERIM CONSOLIDATED BALANCE SHEET – ASSETS

In € thousands	Note	At June 30, 2012	At Dec. 31, 2011
Goodwill	5	214,728	214,728
Intangible assets	5	1,155,567	1,025,611
Property, plant and equipment	5	2,189,833	1,947,300
Other long-term financial assets		7,851	7,635
Deferred income tax assets		14,045	8,734
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**3,582,024**	**3,204,008**
Inventories		29,658	26,477
Current income tax assets		29,677	21
Trade and other receivables		381,718	199,686
Other short-term financial assets		10,307	16,877
Cash and cash equivalents		402,924	357,449
TOTAL CURRENT ASSETS		**854,284**	**600,510**
ASSETS HELD FOR SALE		**50,635**	**54,860**
TOTAL ASSETS		**4,486,943**	**3,859,378**

INTERIM CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

In € thousands	Note	At June 30, 2012	At Dec. 31, 2011
Share capital	6	12,680	12,641
Additional paid-in capital		316,065	304,987
Retained earnings and other reserves		1,261,156	1,206,293
TOTAL EQUITY		**1,589,901**	**1,523,921**
. Attributable to owners of the Company		***1,580,217***	***1,523,921***
. Minority interests		***9,684***	***800***
Long-term provisions	8	3,145	1,388
Long-term financial liabilities	7	1,310,450	1,149,744
Deferred income tax liabilities		6,345	7,745
Other non-current liabilities	9	411,246	307,388
TOTAL NON-CURRENT LIABILITIES		**1,731,186**	**1,466,265**
Short-term provisions	8	39,332	29,910
Taxes payable		1,231	33,387
Trade and other payables		906,460	628,770
Short-term financial liabilities	7	218,833	177,125
TOTAL CURRENT LIABILITIES		**1,165,856**	**869,192**
TOTAL EQUITY AND LIABILITIES		**4,486,943**	**3,859,378**

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, 2011	**12,121**	**98,660**	**(2,456)**	**39,299**	**930,715**	**1,078,339**
Movements in 2011						
▪ Profit for the period					251,832	251,832
▪ Income and expenses recognized directly in equity:						
✓ Impact of interest rate and currency hedges				(4,116)		(4,116)
Total comprehensive income for the period				***(4,116)***	***251,832***	***247,716***
▪ Capital increase	520	206,327				206,847
▪ Dividends paid by Iliad SA					(21,884)	(21,884)
▪ Dividends paid by subsidiaries					(173)	(173)
▪ Purchases/sales of own shares			3,036			3,036
▪ Impact of stock options				10,036		10,036
▪ Other movements				4		4
Total equity at December 31, 2011	**12,641**	**304,987**	**580**	**45,223**	**1,160,490**	**1,523,921**
Total equity at January 1, 2012	**12,641**	**304,987**	**580**	**45,223**	**1,160,490**	**1,523,921**
Movements in first-half 2012						
▪ Profit for the period					79,578	79,578
▪ Income and expenses recognized directly in equity:						
✓ Impact of interest rate and currency hedges				(9,407)		(9,407)
Total comprehensive income for the period				***(9,407)***	***79,578***	***70,171***
▪ Capital increase	39	11,078				11,117
▪ Dividends paid by Iliad SA					(21,169)	(21,169)
▪ Dividends paid by subsidiaries					(87)	(87)
▪ Purchases/sales of own shares			157			157
▪ Impact of stock options				5,783		5,783
▪ Other movements					8	8
Total equity at June 30, 2012	**12,680**	**316,065**	**737**	**41,599**	**1,218,820**	**1,589,901**

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, 2012	Six months to June 30, 2011
Profit for the period (including minority interests)		**79,578**	**145,026**
+/- Depreciation, amortization and provisions against non-current assets and net additions to provisions for contingencies and charges	4	245,585	151,579
-/+ Unrealized gains and losses on changes in fair value		767	3,336
+/- Expenses and income related to stock options and other share-based payments		5,783	4,815
-/+ Other income and expenses, net		11,079	5,121
-/+ Gains and losses on disposals of assets		(793)	(670)
-/+ Dilution gains and losses		0	0
+/- Share of profit of associates		0	0
- Dividends (investments in non-consolidated undertakings)		0	0
Cash flows from operations after finance costs, net, and income tax		**341,999**	**309,207**
+ Finance costs, net		26,815	21,983
+/- Income tax expense (including deferred taxes)		53,361	83,114
Cash flows from operations before finance costs, net, and income tax (A)		**422,175**	**414,304**
- *Income tax paid* **(B)**		(115,510)	(9,006)
+/- Change in operating working capital requirement (including employee benefit obligations) **(C)**		78,669	24,059
= Net cash generated from operating activities (D) = (A + B + C)		**385,334**	**429,357**
- Acquisitions of property, plant and equipment and intangible assets	4	(482,027)	(408,472)
+ Disposals of property, plant and equipment and intangible assets		1,475	7,551
- 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		0	(100)
+/- Effect of changes in Group structure – disposals		0	0
+/- Change in outstanding loans and advances		(217)	277
+ Cash inflows from assets held for sale		1,886	4,938
- Cash outflows for assets held for sale		(341)	(2,420)
+/- Other		0	0
= Net cash used in investing activities (E)		**(479,224)**	**(398,226)**
+ 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		3,101	4,263
-/+ Own-share transactions		157	(83)
- Dividends paid during the period:			
. Dividends paid to owners of the Company		(21,121)	0
. Dividends paid to minority shareholders of consolidated companies		(87)	0
+ Proceeds from new borrowings	7	644,607	595,726
- Repayment of borrowings (including finance leases)	7	(448,444)	(8,133)
- Net interest paid (including on finance leases)		(38,959)	(20,318)
= Net cash generated from financing activities (F)		**139,254**	**571,455**
+/- Effect of exchange-rate movements on cash and cash equivalents **(G)**		14	(34)
= Net change in cash and cash equivalents (D + E + F + G)		**45,378**	**602,552**
Cash and cash equivalents at beginning of period		**350,468**	**337,469**
Cash and cash equivalents at period-end	4	**395,846**	**940,021**

NOTE 1: SIGNIFICANT EVENTS IN FIRST-HALF 2012

1-1. Scope of consolidation at June 30, 2012

There were no significant changes in the scope of consolidation during first-half 2012.

1-2. Business review

The most significant event of the period in terms of the Group's business was the launch of its mobile offerings on January 10, 2012.

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 Iliad Group operates in the French retail telecommunications market.

The consolidated financial information for the six months ended June 30, 2012 was approved by the Board of Directors on August 30, 2012.

2.2. BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended June 30, 2012 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, 2011.

2.3. ACCOUNTING POLICIES

Except as described below, 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, 2011, as described therein:

- Corporate income tax for the period has been calculated by applying the estimated average effective tax rate for the full year to first-half profit before tax;

- Post-employment benefit obligations for the period have been estimated based on actuarial calculations performed for full-year 2011.

In addition, since January 1, 2012 the useful life of Freebox V5 modems has been increased from four to five years. This change had a €14.5 million positive net-of-tax impact on profit for the six months ended June 30, 2012.

The Iliad Group presents 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

The following new standards, amendments to existing standards and interpretations will be mandatory for the first time for annual periods beginning on or after January 1, 2012:

▪***Amendments to IAS 1 set out in "Presentation of Items of Other Comprehensive Income"*** (effective for annual periods beginning on or after July 1, 2012). These amendments introduce limited changes to IAS 1, "Presentation of Financial Statements" and require:

- entities to group items presented in other comprehensive income (OCI) into two separate sub-totals based on whether or not they are potentially reclassifiable to profit or loss subsequently;
- tax associated with items presented before tax to be shown separately for each of the two groups of OCI items.

The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

Group Management will analyze the additional disclosures and presentation changes that will be required as a result of these amendments.

▪***Revised version of IAS 19, Employee Benefits*** (effective for annual periods beginning on or after January 1, 2013). IAS 19 must be applied for all types of employee benefits, except those to which IFRS 2, Share-based Payment applies.

Group Management is currently analyzing the main changes affecting the accounting treatment of defined benefit pension plans.

NOTE 3: SEGMENT INFORMATION

Prior to the launch of its mobile offerings in early 2012, the Group's operations were split into two segments – Broadband and Traditional Telephony (with this segment’s contribution to consolidated revenues becoming increasingly lower over time).

Since the launch of its mobile offerings, the Group has redefined its business segments, with the creation of a new segment called Retail Telephony for which it now issues specific reporting data.

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

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

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, 2012	Six months to June 30, 2011
Depreciation and amortization:			
▪ Amortization of intangible assets	5.2	49,814	1,849
▪ Depreciation of property, plant and equipment	5.3	183,223	149,885
Additions to provisions for contingencies and charges	8	18,324	1,506
Reversals of provisions for contingencies and charges:			
▪ Amounts utilized	8	(2,698)	(808)
▪ Surplus provisions	8	(4,449)	(853)
Other		1,371	0
Recognized in the statement of cash flows		**245,585**	**151,579**

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

In € thousands	Note	Six months to June 30, 2012	Six months to June 30, 2011
▪ Intangible assets	5.2	183,348	403,973
▪ Property, plant and equipment (excl. new finance leases)	5.3	414,401	422,623
▪ Suppliers of non-current assets (excl. VAT):			
. at beginning of period		588,497	97,567
. impact of discounting liabilities		11,667	5,642
. at period-end		(714,130)	(521,333)
▪ Other		(1,756)	0
Recognized in the statement of cash flows		**482,027**	**408,472**

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

In € thousands	Note	At June 30, 2012	At June 30, 2011
▪ Cash		8,663	6,506
▪ Marketable securities		394,261	945,523
▪ Short-term borrowings		(7,078)	(12,008)
Recognized in the statement of cash flows		**395,846**	**940,021**

NOTE 5: CAPITAL EXPENDITURE

5.1. GOODWILL

In € thousands	Six months to June 30, 2012
Carrying amount at January 1, 2012	**214,728**
Carrying amount at June 30, 2012	**214,728**

In € thousands	Twelve months to Dec. 31, 2011
Carrying amount at January 1, 2011	**214,248**
Increase following acquisitions:	
▪ Freebox	**480**
Carrying amount at December 31, 2011	**214,728**

5.2. OTHER INTANGIBLE ASSETS

In € thousands	Six months to June 30, 2012
Carrying amount at January 1, 2012	**1,025,611**
Additions:	
. acquisitions	182,347
. internally-generated intangible assets	1,001
Disposals	0
Amortization and impairment	(49,814)
Reclassifications	(3,102)
Other impacts	(476)
Carrying amount at June 30, 2012	**1,155,567**

In € thousands	Twelve months to Dec. 31, 2011
Carrying amount at January 1, 2011	**299,242**
Additions:	
. acquisitions	752,496
. internally-generated intangible assets	2,069
Disposals	0
Amortization and impairment	(3,933)
Reclassifications	(23,310)
Other impacts	(953)
Carrying amount at December 31, 2011	**1,025,611**

5.3. PROPERTY, PLANT AND EQUIPMENT

In € thousands	Six months to June 30, 2012
Carrying amount at January 1, 2012	**1,947,00**
Acquisitions (1)	423,758
Disposals	(185)
Depreciation and impairment	(183,223)
Reclassifications	2,146
Other impacts	37
Carrying amount at June 30, 2012	**2,189,833**

(1) Including €9,357,000 in assets acquired under finance leases.

In € thousands	Twelve months to Dec. 31, 2011
Carrying amount at January 1, 2011	**1,337,119**
Acquisitions (1)	922,514
Disposals	(9,747)
Depreciation and impairment	(321,238)
Reclassifications	22,387
Other impacts	(3,735)
Carrying amount at December 31, 2011	**1,947,300**

(1) Including €20,429,000 in assets acquired under finance leases.

During the first half of 2012 the Group kept up its capital spending drive for growth projects. This included the following:

- Capital expenditure for landline operations (including network expenditure due to increased unbundling and subscriber-related expenditure for modems and other connection expenses).

- Further investments as part of its FTTH rollout.

- A sharp rise in mobile-related capital expenditure as a result of higher network expenditure and the payment of the fixed portion of the Group's roaming agreement.

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

The 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. The stock options granted on June 14, 2007 have been exercisable since June 13, 2012.

In first-half 2012, 177,451 stock options were exercised for the same number of new shares. The Company's share capital therefore increased by €39,000 to €12,680,000 at June 30, 2012 from €12,641,000 at December 31, 2011.

6.2. Dividends

At the Annual General Meeting held on May 24, 2012, the Group's shareholders resolved to pay a dividend of €0.37 per share, representing a total payout of €21,169,000.

The dividend was paid on June 5, 2012.

NOTE 7: BORROWINGS

Borrowings	At June 30, 2012	At Dec. 31, 2011
Long-term borrowings	1,310,450	1,149,744
Short-term borrowings	218,833	177,125
Total	**1,529,283**	**1,326,869**

Movements in borrowings can be analyzed as follows:

In € thousands	Six months to June 30, 2012
Borrowings at January 1, 2012	**1,326,869**
New borrowings (1)	653,964
Repayments of borrowings	(448,444)
Interest on OCEANE bonds and bond premium	(2,830)
Change in other bank borrowing facilities	95
Impact of cash flow hedges	9,362
Other	(9,733)
Total borrowings at June 30, 2012	**1,529,283**

(1) Including €9,357,000 in borrowings related to finance leases.

In € thousands	Twelve months to Dec. 31, 2011
Borrowings at January 1, 2011	**1,036,164**
New borrowings (1)	1,065,557
Repayments of borrowings	(617,295)
Conversion of OCEANE bonds	(206,637)
Interest on OCEANE bonds and bond premium	7,606
Change in other bank borrowing facilities	(403)
Impact of cash flow hedges	21,164
Other	20,713
Total borrowings at December 31, 2011	**1,326,869**

(1)Including €20,429,000 in borrowings related to finance leases.

A €1,400 million syndicated credit facility

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

- A €600 million loan tranche to refinance the Group's net debt, of which €550 million had been drawn down at June 30, 2012.

- A revolving tranche of €800 million expiring in June 2015. None of this tranche had been drawn down at June 30, 2012.

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.

This loan had been fully drawn down at June 30, 2012.

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 face value on June 1, 2016.

A €500 million short-term commercial paper program

During the first half of 2012, the Iliad Group set up a €500 million commercial paper program in order to diversify the sources and maturities of its financing.

This program had been used in an amount of €184 million at June 30, 2012.

NOTE 8: PROVISIONS

Six months to June 30, 2012	Provisions for claims and litigation	Other provisions	Total
At January 1, 2012	**29,910**	**1,388**	**31,298**
Additional provisions	16,567	1,757	**18,324**
Utilized during the period	(2,698)	0	**(2,698)**
Reversals of surplus provisions	(4,449)	0	**(4,449)**
Other movements	2	0	**2**
At June 30, 2012	**39,332**	**3,145**	**42,477**
o/w long-term provisions			*3,145*
o/w short-term provisions			*39,332*

Twelve months to December 31, 2011	Provisions for claims and litigation	Other provisions	Total
At January 1, 2011	**23,945**	**1,805**	**25,750**
Additional provisions	7,983	0	**7,983**
Utilized during the period	(1,161)	(44)	**(1,205)**
Reversals of surplus provisions	(852)	(372)	**(1,224)**
Other movements	(5)	(1)	**(6)**
At December 31, 2011	**29,910**	**1,388**	**31,298**
o/w long-term provisions			*1,388*
o/w short-term provisions			*29,910*

NOTE 9: OTHER NON-CURRENT LIABILITIES

	At June 30, 2012	At Dec. 31, 2011
Other non-current liabilities	411,246	307,388
Total	**411,246**	**307,388**

The increase in other non-current liabilities in first-half 2012 is primarily attributable to the launch of the Group's mobile business.

NOTE 10: COMMITMENTS

Lease and network commitments

There were no significant changes in lease and network commitments during the first half of 2012.

Other commitments

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

At June 30, 2012 other commitments given and received by the Group amounted to €25 million and €20 million respectively and primarily corresponded to bank guarantees.

NOTE 11: FINANCIAL RISK MANAGEMENT

As part of its foreign exchange risk management strategy, the Group hedges its US dollar-denominated purchases.

The following table analyzes the fair value of interest rate and currency hedges by maturity at June 30, 2012:

In € thousands	Within 1 year	Beyond 1 year
Currency hedges	10,290	0
Interest rate hedges	2,868	43,346

NOTE 12: 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, corresponding to nine people at June 30, 2012.

- Compensation paid to the nine key managers in first-half 2012 and 2011 breaks down as follows:

In € thousands	Six months to June 30, 2012	Six months to June 30, 2011
▪ Total compensation	1,022	1,022
▪ Short-term benefits	0	0
▪ Post-employment benefits	0	0
▪ Other long-term benefits	0	0
▪ Termination benefits	0	0
▪ Share-based payments	2,200	2,174
Total	**3,222**	**3,196**

NOTE 13: EVENTS AFTER THE BALANCE SHEET DATE

In late August 2012 the Iliad Group finalized the arrangement of a new ten-year loan from the European Investment Bank (EIB) for an amount of €200 million.