



THEOLIA

Press release

Aix en Provence, August 31, 2009

Reactivated wind farm sales lead to solid improvements in H1 results

(in thousands of euros)	06/30/2009	06/30/2008 ⁽¹⁾	Change
Revenue	104,929	55,386 ⁽²⁾	+89%
EBITDA ⁽³⁾	25,374	9,170	+177%
Operating income	1,976	(14,633)	n/a

(1) Restated for IFRS 5 application regarding non-current assets held for sale and discontinued activities.

(2) Corrected by - 1 million euros since the publication on July 29, 2009 on account of a consolidation error.

(3) EBITDA = current operating income + amortization + risk provisions.

There is a clear improvement in the free cash position at the holding level: from 9 million euros as of December 31, 2008 to 28 million euros as of June 30, 2009.

Marc van't Noordende, CEO of THEOLIA, commented: *"Despite the very difficult environment for THEOLIA over the first six months of 2009, the strong improvement in the half year financial measurements is encouraging. The Group's efforts to restructure and streamline the organization, to execute asset disposals as communicated, to reactivate sales of wind farms in Germany and to narrow the operational focus on key geographies are beginning to pay off resulting in an improved cash position. Now with the implementation of a new strategy as independent wind project developer, in the context of restricted access to financing, THEOLIA is preparing its future and positioning itself to benefit from the profitable growth of its markets for its shareholders."*

Major achievements since January 1, 2009

- ✓ As announced at the end of 2008, the Group has reactivated its activity of sales of operational wind farms in Germany, with the sale of 38.5 Megawatts (MW) during the first half of 2009.
- ✓ In line with its plan to sell more than 200 MW of wind assets and projects, in June the Group sold 32 MW of projects in France and in August a 100.6 MW portfolio of wind assets and projects in Germany.
- ✓ The divestment program for the non-wind activities continues, following the sale of the Group's stake in Thenergo announced in December 2008.

Financial performance

THEOLIA's consolidated financial statements and half year financial report were examined by the Audit Committee and the Board of Directors, and then approved by the Board of Directors at its August 28, 2009 meeting, in the presence of the statutory auditors.

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	06/30/2009	06/30/2008 ⁽¹⁾
Revenue	104,929	55,386 ⁽²⁾
EBITDA ⁽³⁾	25,374	9,170
Current operating income	10,467	(14,611)
Operating income	1,976	(14,633)
Financial result	(14,911)	(10,682)
Net income from continued activities	(11,234)	(22,977)
Net income from discontinued activities	(2,905)	(3,206)
Net income	(14,139)	(26,183)

(1) Restated for IFRS 5 application regarding non-current assets held for sale and discontinued activities.

(2) Corrected by - 1 million euros since the publication on July 29, 2009 on account of a consolidation error.

(3) EBITDA = current operating income + amortization + risk provisions.

THEOLIA's consolidated revenue amounts to 104.9 million euros in the first half of 2009, an increase of 89% compared with the first half of 2008 (restated for IFRS 5).

This growth is mainly due to the strong increase in the business segment *Development, construction, sale* with revenue reaching 57.2 million euros. As announced, the Group has reactivated sales of wind farms in Germany. As such, 35.5 MW were sold during the first quarter of 2009 and 3 MW during the second quarter. No sales of wind farms were recorded in 2008.

On the other hand, the business segments *Sale of electricity for own account* and *Operation* are down due to poor wind conditions in Germany and France during the first quarter of 2009.

The Group's consolidated EBITDA reaches 25.4 million euros, an increase of 177% compared with June 30, 2008 (restated for IFRS 5). The breakdown by business segment is as follows:

(in thousands of euros)	Wind activities			Non-wind activity	Corporate	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation			
First half 2009	19,295	(323)	(271)	212	6,461	25,374
First half 2008 ⁽¹⁾	21,534	(6,808)	1,852	(1,546)	(5,861)	9,170

(1) Restated for IFRS 5 application regarding non-current assets held for sale and discontinued activities.

The very strong increase in consolidated EBITDA is primarily due to:

- ✓ The resumption of sales of wind farms in Germany that nearly allowed a return to break-even in the business segment *Development, construction, sale*,
- ✓ The reversal of the provision for the depreciation of the debt related to the sale of Thenergo for the amount of 15 million euros, which strongly impacted the EBITDA of the business segment *Corporate*. As the payment had not been received as of the end of April, the entire debt had been provisioned in the December 31, 2008 accounts. With the payment having been received on May 6, 2009, the provision has been reversed in the June 30, 2009 accounts.

In line with the same trend as revenue, the EBITDA from the activities *Sale of electricity for own account* and *Operation* is down, as most of the operating charges for these segments are fixed.

The EBITDA was also impacted by 4.6 million euros of non recurring charges.

The Group's operating income amounts to 2 million euros compared to the posting of a negative 14.6 million euros as of June 30, 2008 (restated for IFRS 5).

Nonetheless, the consolidated operating income was also impacted by the recording of non recurring charges, in the amount of 10.3 million euros, broken down as follows:

- ✓ Asset impairments (Morocco and Spain) for 5.9 million euros,
- ✓ Goodwill depreciation (Morocco) for 2.1 million euros,
- ✓ Various provisions for a total amount of 2.3 million euros.

The Group's financial income registers a loss of 14.9 million euros, composed mainly of net loan interest charges in the amount of 14.4 million euros, of which 6.7 million euros related to the OCEANE (convertible bond), and a charge of 1.2 million euros related to the fair value of interest rate swaps.

Overall, **the Group's net income** for the first half of 2009 records a loss of 14.1 million euros, versus a loss of 26.2 million euros as of June 30, 2008 (restated for IFRS 5).

DEBT AND CASH POSITION

Net debt went from 498.1 million euros as of December 31, 2008 to 487.6 million euros, a decrease of 10.5 million euros, as of June 30, 2009 and breaks down as follows:

(in thousands of euros)	06/30/2009	12/31/2008
Financial debt	(348,548)	(376,686)
of which non-recourse project financing	(315,992)	(337,090)
Convertible bond ⁽¹⁾	(211,476)	(204,223)
Other financial liabilities	(9,445)	(8,338)
Current financial assets	137	296
Cash and cash equivalents	81,762	90,823
Net financial debt	(487,570)	(498,128)

(1) The stated amounts correspond to the debt component of the convertible bond.

The financial debt, which consists mainly of non-recourse project financing, has decreased over the half year period due to the higher level of loan reimbursements (51.7 million euros) versus subscriptions of new loans (32.1 million euros).

The free cash position of the Group improved during the first 6 months, notably due to the cash-ins from the sale of Thenergo and of wind projects in France and operating wind farms in Germany. The Group expects to stabilize its free cash position, with the continuation of both its plan to divest its non-wind activities and its program to sell wind farms and projects.

The free cash at the Group level and at the holding level breaks down as follows:

(in thousands of euros)	Free cash ⁽¹⁾ Group	Of which free cash ⁽¹⁾ Holding
December 31, 2008	34	9
June 30, 2009	36	28
August 24, 2009 ⁽²⁾	43	12

(1) Cash available, neither trapped in project support companies nor pledged or dedicated to subsidiaries' operating expenses.

(2) Non audited figures.

Operational review

As of June 30, 2009, THEOLIA's total installed capacity amounts to 750 MW, compared with 671 MW as of December 31, 2008 (+11.8%) and breaks down as follows:

- 421 MW for own account, an increase of 61 MW compared with December 31, 2008 (+16.9%), following the commissioning of wind farms intended for sale in Germany;
- 329 MW managed for third parties, compared with 311 MW as of December 31, 2008 (+5.8%).

New strategy

Following an in-depth review of various possible business models for the Group, THEOLIA has established a new strategy for the years to come: "**Develop, operate and sell**". This strategy has been approved by the Board of Directors.

Backed by a sizeable pipeline of projects in three of the four largest and most dynamic European wind markets (France, Italy, Germany), as well as certain emerging markets (Morocco, India, Brazil) targeted as possible future growth markets, the Group will focus on developing wind projects until their commissioning, then will sell the wind farms after two to four years of operation in order to benefit from a higher visibility on expected cash flows and to increase the return for its shareholders. This strategy was chosen in preference to the others, notably considering the current state of the debt markets which remain very tight.

In offering for sale low risk assets with a high visibility on cash flows, THEOLIA can access to a wide range of potential buyers, both financial and industrial. The Group will offer to the buyers to continue the management of the wind farms sold, thus assuring the Group a long term recurring revenue stream.

This strategy allows the Group to optimize its return on capital by increasing its reinvestment into its projects in development, while offering its shareholders a fair return on their investment.

About THEOLIA

THEOLIA is an independent international developer and operator of wind energy projects. THEOLIA is active primarily in France, Germany and Italy, and also in India, Brazil and Morocco. THEOLIA trades on the compartment B of Euronext Paris, regulated market of NYSE Euronext, under the symbol TEO. The THEOLIA stock is part of the CAC MID100 index.

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