



Press release

Aix en Provence, September 3, 2010

THEOLIA publishes its 2010 first half year results

Fady Khallouf, CEO of THEOLIA, stated: *“The half year results reflect the Group’s past weaknesses and difficulties and do not yet include any benefit from the recent restructuring. We need to continue cost reduction and efforts to streamline our activity, notably through the pooling of our expertise and a continual optimization to allocate our resources to projects with the highest returns.*

In order to accelerate our growth, we are focusing our efforts on the progress of pipeline projects and we plan to explore opportunities for co-investment in our projects.

In the context of difficult financial markets, the success of the capital increase has enabled the Group to strengthen its financial position with the reinforcement of its shareholders’ equity, the increase in its cash position and the reduction of its debt. As of today, the Company has received bond conversion requests for nearly 8 million new shares, which will further reduce the amount of the bond debt.

I am confident in the capacity of THEOLIA and its teams to transform the Company into an integrated industrial Group and to develop a profitable business model for its shareholders, ensuring recurring margins over the long term.”

Financial review

THEOLIA’s consolidated financial statements for the first six months of 2010 were approved by THEOLIA’s Board of Directors during its meeting on September 2, 2010, in the presence of the statutory auditors.

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	06/30/2010	06/30/2009
Revenue	115,797	104,929
EBITDA ⁽¹⁾	(1,449)	25,374
Operating income	(8,248)	1,976
Financial result	(19,119)	(14,911)
Net income	(24,217)	(14,139)

(1) EBITDA = current operating income + amortization + non operational risk provisions.

THEOLIA's consolidated revenue amounts to 115.8 million euros for the first half of 2010, an increase of 10% compared with the first half of 2009. The breakdown by activity is listed below:

(in thousands of euros)	Wind activities			Non-wind activity	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation		
First half 2010	18,598	77,107	19,335	757	115,797
First half 2009	27,733	57,244	19,075	875	104,929
<i>Change</i>	- 33%	+ 35%	+ 1%	- 13%	+ 10%

The growth in the consolidated revenue is primarily due to the increase in the *Development, construction, sale* activity. The revenue from this activity, with an increase of 35%, reached 77.1 million euros. In fact, THEOLIA sold two wind farms in Germany for a cumulative capacity of 60 MW during the first half of 2010.

As the Group had carried out some significant sales of installed capacity during the second half of 2009 and the first half of 2010, the Group's installed capacity for own account went from 421 MW as of June 30, 2009 to 267 MW as of June 30, 2010, a decrease of 37%. The revenue from the *Sale of electricity for own account* activity was thus directly impacted, showing a decrease of 33%.

The revenue from the *Operation* activity is nearly level at 19.3 million euros, as the increase in the number of MW managed for third parties (going from 329 MW as of June 30, 2009 to 518 MW as of June 30, 2010) has been offset by the negative impact of unfavorable weather conditions in Germany at the beginning of 2010.

The Group's consolidated EBITDA is negative by 1.4 million euros, compared to a consolidated EBITDA of 25.4 million euros as of June 30, 2009. The breakdown by activity is listed below:

(in thousands of euros)	Wind activities			Non-wind activity	Corporate	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation			
First half 2010	11,985	(3,034)	(3,990)	486	(6,895)	(1,449)
First half 2009	19,295	(323)	(271)	212	6 461	25,374

As most of the operating expenses of the *Sale of electricity for own account* activity are fixed, the EBITDA from this activity follows the same trend as the revenue. It is thus down by 38% and stands at 12 million euros.

The EBITDA from the *Development, construction, sale* activity, nearly break-even as of June 30, 2009, shows a loss of 3 million euros as of June 30, 2010. The margin realized on the sale of the 55.5 MW wind farm in Germany was weak on account of the presence of goodwill related to this wind farm since its acquisition in 2007.

The *Operation* activity registered a negative EBITDA of 4 million euros, impacted by the accounting of risk provisions for clients in Germany for 3.6 million euros.

Finally, keep in mind that the EBITDA from the *Corporate* activity as of June 30, 2009 had benefitted from the positive effect from a reversal of a depreciation of a 15 million euros receivable.

The Group's operating income displays a loss of 8.2 million euros, although it had reached 2 million euros as of June 30, 2009. It was impacted by operational provisions and provisions for loss of value for a cumulative amount of 3.2 million euros.

The tests led by the Group on its assets and goodwill did not lead to any impairment as of June 30, 2010, while the Group had recorded impairments of 8.8 million euros as of June 30, 2009.

The Group's financial result represents a net expense of 19.1 million euros, consisting for the most part:

- ✓ Of net interest expenses on loans for an amount of 12.3 million euros, of which 7.5 million euros related to the OCEANE (convertible bond) and 4.1 million euros related to the loans held by wind farms in operation,
- ✓ Of a 4.5 million euros expense due to the fair value of financial instruments to hedge interest rate risk,
- ✓ Of financial expenses related to the sale, during the second quarter 2010, of the 55.5 MW wind farm in Germany for 2.6 million euros.

In total, **the net income** as of June 30, 2010 is a loss of 24.2 million euros, versus a loss of 14.1 million euros as of June 30, 2009.

DEBT AND CASH POSITION

The net debt, lower by 20.3 million euros, went from 396.1 million euros as of December 31, 2009 to 375.8 million euros as of June 30, 2009 and breaks down as follows:

(in thousands of euros)	06/30/2010	12/31/2009
Financial debt	(222,138)	(267,211)
of which project financing	(206,530)	(238,688)
Convertible bond ⁽¹⁾	(221,527)	(218,729)
Other financial liabilities	(10,735)	(4,541)
of which financial instruments or derivatives (interest rate swaps)	(8,172)	(4,534)
Current financial assets	1	236
Cash and cash equivalents	78,631	94,187
Net financial debt	(375,768)	(396,058)

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

The financial debt, mainly composed of project financing that is non-recourse or with limited recourse to the parent company, registered a decrease of 45.1 million euros over the half year period, on account of loan reimbursements (35.3 million euros) greater than the subscription of new loans (27.3 million euros), and the sale of numerous wind farms having consequently reduced the debt by 37.4 million euros.

As of June 30, 2010, the debt component of the convertible bond amounted to 221.5 million euros, as the new terms of the OCEANE had only become effective on July 20, 2010.

The Group's net cash position decreased by 15.5 million euros over the half year period, mainly due to the investments in the development of wind farm projects in Italy, Germany and France.

The net cash position breaks down as follows:

(in thousands of euros)	June 30, 2010	December 31, 2009
Pledged cash	21,968	24,914
Reserved cash	16,747	16,503
Free cash	39,916	52,770
Overdrafts	-	(7)
Net cash	78,631	94,180

Success of the financial restructuring

On July 20, 2010, THEOLIA completed an important financial restructuring, including the renegotiation of its bond and a capital increase of 60.5 million euros.

The two main benefits of this operation for the Company are:

- A significant reduction of the debt, following the forgiveness of part of the debt by the bondholders and a partial reimbursement of the bond by THEOLIA,
- An increase in the cash position for approximately 30 million euros net of costs related to the capital increase and the restructuring of its convertible bond.

With this restructuring, the Group possesses enough net consolidated working capital to meet its obligations and operational cash needs and is thus able to assure the continuity of its operations.

In addition, the reader is reminded that there is no longer the risk of a request by the bondholders for an early reimbursement for an amount of 253 million euros on January 1, 2012. In fact, the maturity for possible reimbursement has been postponed to January 1, 2015 with a maximum reimbursement of 176 million euros.

Finally, this restructuring will generate a large exceptional income that will have a very significant positive impact on the consolidated results for the second half of 2010.

Operational update

As of June 30, 2010, the installed capacity of the wind farms operated by the Group amounted to 785 MW, versus 780 MW as of December 31, 2009 and is composed as follows:

- 267 MW for own account, versus 322 MW as of December 31, 2009,
- 518 MW managed for third parties, versus 458 MW as of December 31, 2009.

In fact, during the first half of 2010, the Group sold 60 MW of wind farms in operation in Germany and maintained the technical and operational management for the lifetime of these wind farms.

As of June 30, 2010, the Group's pipeline in Europe reached 1,353 MW, of which 23 MW in construction and 108 MW with construction permits free of claims.

With the financial restructuring, the Group has the financial means necessary to support the development of its pipeline. Its cash position will enable it to both finance the equity in its projects as they advance in their development; the improvement of its balance sheet allows it an improved access to project financing, and this, under better conditions. The first MW in Italy will thus be commissioned from now to the end of 2010 and new projects will enter the construction phase in the coming months.

The Company is currently reviewing the financing of its permitted projects with banks that have indicated their willingness to participate.

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 Small 90 index.

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