



# THEOLIA

## Half year report as of June 30, 2010

# Agenda

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## Declaration by the person responsible for the half year financial report

I declare that, to the best of my knowledge, the 2010 half year summary financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all its affiliates included in the scope of consolidation, and that the enclosed half year activity report, found on page 4 of this report, presents a fair review of the important events that occurred during the first six months of the year, their impact on the half year financial statements, and the main transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

Aix-en-Provence, September 2, 2010,

**Fady Khallouf**

Chief Executive Officer

# Half year activity report

## 1. Key highlights over the period

- ✓ The main highlight of the first half of 2010 was the implementation of the Company's financial restructuring plan. The bondholders' general meeting on February 18, 2010 and the shareholders' general meeting on March 19, 2010 both voted in favor of the proposed restructuring. The capital increase was thus launched. Open from June 25<sup>th</sup> to July 7<sup>th</sup> included, it was fully subscribed for an amount of 60.5 million euros.
- ✓ In the context of its Development, construction, sale activity, the Group sold two wind farms in operation in Germany during the first half for a cumulative capacity of 60 MW.
- ✓ In January 2010, the Group implemented project financing for a 30 MW project in Italy. In April 2010, the Group announced the sale of a 39% stake in this project to Repower Produzione Italia spa.

Note 3 in the Notes to the consolidated half year summary financial statements, found on page 18 of this report, details the highlights of the period and note 21, found on page 45 of this report, presents the significant events after the date of the closing of accounts.

## 2. The consolidated Group

**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 continuous optimization in the allocation of 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 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 <sup>(1)</sup>	(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	<b>115,797</b>
First half 2009	27,733	57,244	19,075	875	<b>104,929</b>
<i>Change</i>	- 33%	+ 35%	+ 1%	- 13%	<b>+ 10%</b>

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	<b>Consolidated total</b>
	Sale of electricity for own account	Development, construction, sale	Operation			
First half 2010	11,985	(3,034)	(3,990)	486	(6,895)	<b>(1,449)</b>
First half 2009	19,295	(323)	(271)	212	6 461	<b>25,374</b>

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 <sup>(1)</sup>	(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
<b>Net financial debt</b>	<b>(375,768)</b>	<b>(396,058)</b>

(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)
<b>Net cash</b>	<b>78,631</b>	<b>94,180</b>

## 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.

### **3. Main risks and uncertainties for the second half of 2010**

With the success of its financial restructuring plan, the Group has eliminated any immediate liquidity risk. The capital increase has had a positive impact on the cash position of approximately 30 million euros net of costs related to the capital increase and the restructuring of the convertible bond. The sales of 60 MW in operation in Germany and of a 39% stake in a project under construction in Italy also contributed to the improvement of the cash position. The Group's cash position has allowed it to pursue its investments at a solid pace.

According to the new terms of the OCEANEs (convertible bond) applicable as of July 20, 2010, there is no longer a risk of an early reimbursement by the bondholders on January 1, 2012; this maturity has been extended to January 1, 2015 and the maximum reimbursement amount (in the case of a reimbursement request from all the bondholders) would only be 176 million euros, versus 253 million euros, according to the initial terms of the OCEANEs.

In addition, the sales of wind farms over the first half of 2010 made it possible for the Group to reduce its debt by 37 million euros. The change in the terms of the OCEANEs and the partial reimbursement of some of the debt will allow for a significant debt reduction as of December 31, 2010.

This new financial situation will enable the Group to assure the continuity of its operations, to pursue its investments and to have the necessary access to financing for its projects.

For the financing already in place, the Group continues to pay great attention to the related covenants. Not including the case of the Centrale Eolienne des Sablons in France, as of June 30, 2010 none of the Group's project support companies was in default relative to its covenants. In the case of the financing for the wind farm operated by Centrale Eolienne des Sablons, a request for a waiver of the claim of failure to meet the minimum half year ratio of coverage for the debt service will be

made to the lender. The detail of the covenants is found in note 18 of the Notes to the consolidated half year summary financial statements, on page 36 of this report.

With the exception of all the risks related to the successful execution of the financial restructuring, the other risk factors are of the same nature as exposed in the 2009 Reference Document (pages 14 to 41).

It is noted that after the closing of the consolidated half year summary financial statements, Windreich AG, a company represented by Willi Balz, undertook a legal action against the Group seeking (i) commissions and (ii) indemnities in application of a service contract for the sale of wind farms of THEOLIA Natureenergien GmbH. This risk had been raised in paragraph 4.1.12 in the 2009 Reference Document (page 25). Today, the Group does not consider it necessary to record a provision as a result of this legal action.

In the context of its Operation activity for third parties, THEOLIA Natureenergien has recorded a risk provision for clients.

#### **4. Principal transactions between related parties**

The information pertaining to transactions between related parties relevant to the half year period ending June 30, 2010 appears in note 19 of the Notes to the consolidated half year summary financial statements, on page 40 of this report.

# Consolidated half year summary financial statements

## Balance sheet

*in thousands of euros*

ASSETS	Notes	06/30/2010	12/31/2009
Goodwill	10	79,460	79,460
Intangible assets	11	89,726	99,883
Property, plant and equipment	11	255,630	311,858
Equity-consolidated securities	12	10,406	10,915
Non-current financial assets		13,765	9,867
Deferred tax assets		9,507	8,140
<b>Non-current assets</b>		<b>458,494</b>	<b>520,123</b>
Inventories and work in progress	13	56,857	51,814
Trade receivables		31,638	32,492
Other current assets		31,929	22,623
Tax receivables on income		4,230	5,222
Financial assets – current share		1	236
Cash and cash equivalents	15	78,631	94,187
<b>Current assets</b>		<b>203,286</b>	<b>206,574</b>
Assets related to discontinued activities		15,828	17,072
<b>TOTAL ASSETS</b>		<b>677,608</b>	<b>743,769</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Share capital	17	40,309	39,895
Issue premiums		307,133	307,546
Other reserves		(192,762)	(176,201)
Net income – Group share		(23,682)	(20,765)
<b>Shareholders' equity – Group share</b>		<b>130,998</b>	<b>150,475</b>
Minority interests		(2,123)	(1,823)
<b>Shareholders' equity</b>		<b>128,875</b>	<b>148,652</b>
Non-current financial liabilities	18	164,324	366,179
Provisions – non-current share		17,711	14,439
Personnel benefits		93	79
Deferred tax liabilities		19,767	25,003
Other non-current liabilities		560	561
<b>Non-current liabilities</b>		<b>201,955</b>	<b>406,261</b>
Current financial liabilities	18	290,076	124,302
Provisions – current share		597	-
Suppliers and other creditors		35,060	41,285
Tax and social liabilities		9,713	10,715
Corporate tax debt		714	1,516
<b>Current liabilities</b>		<b>336,160</b>	<b>177,818</b>
Liabilities related to discontinued activities		10,618	11,038
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>677,608</b>	<b>743,769</b>

**Income statement**
*in thousands of euros*

	Notes	06/30/2010	06/30/2009
<b>Revenue</b>		<b>115,797</b>	<b>104,929</b>
Purchases and changes in inventory		(90,526)	(72,291)
External expenses		(14,138)	(15,779)
Taxes and duties		(614)	(648)
Personnel expenses	6	(9,397)	(5,744)
Amortization and provisions	11	(9,024)	202
Other operating income and expenses	7	1,497	(202)
<b>Current operating income</b>		<b>(6,404)</b>	<b>10,467</b>
Other non-current income and expenses		(270)	292
<b>Operating income before impairment</b>		<b>(6,674)</b>	<b>10,759</b>
Impairment		(1,574)	(8,783)
<b>OPERATING INCOME (after impairment)</b>		<b>(8,248)</b>	<b>1,976</b>
Cost of gross financial debt	8	(12,422)	(14,906)
Income from cash and cash equivalents	8	99	599
Cost of net financial debt	8	<b>(12,323)</b>	<b>(14,307)</b>
Other financial income	8	1,362	1,108
Other financial expenses	8	(8,158)	(1,713)
<b>Financial income</b>		<b>(19,119)</b>	<b>(14,911)</b>
Share in income of affiliated companies		(245)	(878)
Tax expense	9	3,948	2,579
<b>Net income from ongoing activities</b>		<b>(23,664)</b>	<b>(11,234)</b>
Income net of corporate tax from discontinued activities or those in the process of being sold	16	(553)	(2,905)
<b>NET INCOME</b>		<b>(24,217)</b>	<b>(14,139)</b>
of which Group share		(23,682)	(14,027)
of which minority interests		(535)	(113)
Earnings per share (in euros)		(0.59)	(0.35)
Diluted earnings per share (in euros)		(0.42)	(0.34)

**Overall income***in thousands of euros*

	06/30/2010	06/30/2009
<b>Net income</b>	<b>(24,217)</b>	<b>(14,139)</b>
Conversion losses/gains	409	(51)
<b>Total earnings and expenses posted</b>	<b>409</b>	<b>(51)</b>
<b>OVERALL INCOME</b>	<b>(23,808)</b>	<b>(14,190)</b>
Earnings per share (in euros)	(0.59)	(0.36)
Diluted earnings per share (in euros)	(0.42)	(0.25)

	06/30/2010	06/30/2009	12/31/2009
<b>Total net income of consolidated companies</b>	<b>(24,217)</b>	<b>(14,140)</b>	<b>(21,100)</b>
Income from discontinued activities	553	3,458	9,439
Elimination of amortization, depreciation and provisions	9,502	8,731	18,652
Elimination of change in deferred taxes	(3,942)	(2,576)	(425)
Elimination of capital gains/losses from disposals	(1,167)	4,770	6,139
Elimination of the share of income from affiliated companies	245	878	13,470
Financial expenses	11,931	14,833	30,318
Other income and expenses with no effect on cash	19,964	(3,231)	2,733
<b>Funds from operations (A)</b>	<b>12,869</b>	<b>12,723</b>	<b>59,225</b>
Effect of WCR variation related to activity (B)	5,143	10,533	54,280
Corporation tax paid (C)	(1,799)	(1,286)	(1,370)
Flows related to discontinued activities (D)	-	(1,166)	(2,902)
<b>CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)</b>	<b>16,213</b>	<b>20,803</b>	<b>109,233</b>
Acquisition of fixed assets	(22,001)	(7,267)	(27,877)
Acquisition of financial assets	-	(80)	(80)
Disposals of fixed assets	678	1,545	3,391
Change in loans	7,178	1,649	26,304
Effect of subsidiary acquisitions net of cash acquired	(4,255)	1,258	(19,879)
Flows related to discontinued activities	-	-	-
Linked account	(35)	0	0
<b>NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)</b>	<b>(18,434)</b>	<b>(2,894)</b>	<b>(18,139)</b>
Dividends paid to minority shareholders	0	-	-
Treasury shares	81	118	(1)
Capital increase (decrease)	-	-	(0)
Loans and other debts	30,622	31,383	37,482
Repayment of loans and other liabilities	(34,596)	(51,475)	(110,325)
Interest paid	(9,625)	(7,074)	(14,904)
Financing operations with no effect on cash	(16)	-	24
Flows related to discontinued activities	-	-	-
<b>NET FLOWS GENERATED BY FINANCING ACTIVITIES (c)</b>	<b>(13,534)</b>	<b>(27,049)</b>	<b>(87,724)</b>
Effect of variations on exchange rates	206	41	(8)
<b>CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)</b>	<b>(15,549)</b>	<b>(9,099)</b>	<b>3,361</b>
Net cash and cash equivalents – opening balance	94,180	90,819	90,819
Net cash and cash equivalents of discontinued activities – closing balance	-	-	-
Net cash and cash equivalents – closing balance*	78,630	81,720	94,180
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,550)</b>	<b>(9,099)</b>	<b>3,361</b>
* Cash posted on the balance sheet	78,631	81,762	94,187
Bank overdrafts	(1)	(42)	(7)
<b>Net cash and cash equivalents – closing balance</b>	<b>78,630</b>	<b>81,720</b>	<b>94,180</b>

**Statement of changes in equity**
*in thousands of euros*

	Capital	Premiums	Conversion losses/gains	Consolidated reserve and income	Shareholders' equity – Group share	Minority interests	Total shareholders' equity
<b>As of 01/01/2009</b>	<b>39,747</b>	<b>307,695</b>	<b>338</b>	<b>(177,643)</b>	<b>170,137</b>	<b>(1,489)</b>	<b>168,648</b>
Expenses and income directly recorded under equity			(51)		(51)		(51)
<b>Net income</b>				(14,027)	(14,027)	(113)	(14,140)
<b>Overall income</b>	-	-	(51)	(14,027)	(14,078)	(113)	(14,191)
Capital increase					-		-
Free shares				738	738		738
Cross-holding shares				66	66		66
Other reclassifications				(1,493)	(1,493)	(9)	(1,502)
<b>As of 06/30/2009</b>	<b>39,747</b>	<b>307,695</b>	<b>287</b>	<b>(192,359)</b>	<b>155,370</b>	<b>(1,611)</b>	<b>153,759</b>
Expenses and income directly recorded under equity			(66)		(66)		(66)
<b>Net income</b>				(6,738)	(6,738)	(223)	(6,961)
<b>Overall income</b>	-	-	(66)	(6,738)	(6,804)	(223)	(7,027)
Capital increase	148	(148)			(0)		(0)
Free shares				201	201		201
Cross-holding shares				(101)	(101)		(101)
Other reclassifications				1,811	1,811	11	1,822
<b>As of 12/31/2009</b>	<b>39,895</b>	<b>307,546</b>	<b>221</b>	<b>(197,186)</b>	<b>150,475</b>	<b>(1,823)</b>	<b>148,652</b>
Expenses and income directly recorded under equity			409		409		409
<b>Net income</b>				(23,682)	(23,682)		(23,682)
<b>Overall income</b>	-	-	409	(23,682)	(23,272)	-	(23,272)
Capital increase	414	(414)			-		-
Free shares and options				4,142	4,142		4,142
Cross-holding shares				(23)	(23)		(23)
Transactions between shareholders				(318)	(318)		(318)
Other reclassifications			(56)	48	(6)	(300)	(306)
<b>As of 06/30/2010</b>	<b>40,309</b>	<b>307,132</b>	<b>574</b>	<b>(217,018)</b>	<b>130,998</b>	<b>(2,123)</b>	<b>128,875</b>

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## **Note 1. General information**

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The THEOLIA Company (the "Company") is a French joint stock company (*société anonyme*) with registered offices in Aix-en-Provence, France. The Company and its subsidiaries (the "Group") conduct their business in the development, construction, operation and sale of wind farms. The Group also has environmental activities which are currently being sold or closed. The Group operates essentially in Europe.

The Company is listed for trading on the Euronext Paris market, Compartment B.

The Company closes its annual accounts on December 31. The period for which the financial statements are presented began on January 1, 2010 and ended on June 30, 2010.

The summary financial statements of the Group were approved by the Board of Directors on September 2, 2010.

The explanatory notes below are provided with the presentation of the consolidated financial statements and are an integral part of the statements.

The financial statements are presented in thousands of euros, unless otherwise indicated.

## **Note 2. Accounting principles and valuation methods**

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### **▪ Basis for the preparation of the financial statements**

The consolidated financial statements of the THEOLIA Group are established in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The summary half-year financial statements, for the period ended June 30, 2010, are presented and have been prepared on the basis of the provisions of standard IAS 34 "Interim Financial Reporting."

Because these are interim statements, they do not include all the information required by the IFRS for the preparation of consolidated financial statements. Thus, these notes may be completed by reading the THEOLIA financial statements published for the year ended December 31, 2009.

The summary consolidated financial statements are established using the accounting principles and methods applied by the Group to the financial statements for fiscal year 2009 (described in note 2 to the consolidated financial statements as of December 31, 2009), with the exception of the following standards and amendments to the standards applicable as of January 1, 2010:

Regulation No.	Item	Potential impact on Group financial statements
IAS 27 amended	Consolidated or individual financial statements	
Amendments to IAS 39	Items eligible for hedge	
Amendments to IFRS 2	Intra-group transactions	
IFRS 3 revised	Business combinations	
IFRIC 12	Service concession agreements	These standards, amendments and interpretations have no significant impact on these financial statements
IFRIC 15	Construction agreements	
IFRIC 16	Hedging of a net investment in a foreign activity	
IFRIC 17	Distributions of non-monetary assets to owners	
IFRIC 18	Transfers of assets from clients	
	Annual improvements (2006-2008), for those to be applied starting 7/1/09	
	Annual improvements (2007-2009)	

The Group has not opted for early application of the standards and interpretations which were not mandatory as of January 1, 2010.

- **Use of estimates**

The preparation of the half-year financial statements in accordance with the conceptual framework of the IFRS implies the use of estimates and assumptions which could have an impact on the amounts of certain assets, liabilities, income and expenses shown in the statements.

- **Consolidation rules**

- **Controlled entities**

Subsidiaries are consolidated if they are controlled by the Group and the Group directs their financial and operational policy. Subsidiaries are fully consolidated as of the date on which effective control is transferred to the Group. They are deconsolidated on the date this control ends.

All intra-group balances and transactions are eliminated at the consolidation level.

- **Affiliated companies**

Affiliated companies are enterprises in which the Group exerts a significant influence on operational and financial policy, without holding control. In general, these are companies in which the Group holds at least 20% of the voting rights.

The Group's interests in affiliated companies are accounted for using the equity method. The financial statements of the affiliated companies are retained in the consolidated financial statements from the start date of the significant influence until the date of loss of the significant influence.

### **Note 3. Highlights of the period**

#### **1. Implementation of the financial restructuring plan**

On December 29, 2009, THEOLIA announced its plan to restructure its convertible bond and its intention to launch a capital increase intended to support its development program for the coming years.

The implementation of this restructuring plan was subject to the following three conditions:

- Approval of the change in the terms of the bond by the bondholders' meeting;
- Approval of the change in the terms of the bond by the extraordinary shareholders' meeting,
- Completion of a capital increase.

### **1.1. Remittal of the fairness opinion by the independent financial expert**

The Ricol Lasteyrie company is the independent financial expert appointed by the Board of Directors to review the financial conditions of the proposed plan to restructure the OCEANEs and determine its fairness from the viewpoint of the shareholders and bondholders.

In January 2010, Ricol Lasteyrie completed its final report, which attested to the fair nature of the proposed financial restructuring and confirmed that the plan was in the interests of all parties involved, including THEOLIA, its shareholders and the bondholders.

### **1.2. General meetings of bondholders and shareholders**

On February 18, 2010, the general meeting of bondholders approved the proposed restructuring in a unanimous vote by those present and represented.

On March 19, 2010, the combined shareholders' meeting approved all resolutions relating to the proposed restructuring plan by a majority of more than 99%.

These meetings, which marked the first steps in the financial restructuring of THEOLIA, authorized the change in the terms of the OCEANE issue contract.

### **1.3. Launch of the capital increase**

On June 24, 2010, the Company launched a capital increase in the amount of 60,463,059 euros maintaining the preemptive subscription right, the last step in its financial restructuring. The objective of this capital increase was to strengthen THEOLIA's equity as part of the restructuring of its convertible bond, to re-establish a healthy financial structure, and to revive its development. The subscription to the capital increase was opened from June 25 through July 7, 2010.

## **2. New structure of the Board of Directors**

### **2.1. Appointment of three new Directors**

The combined shareholders' meeting of March 19, 2010 approved the expansion of the Board of Directors, and appointed three new members: Michel Meeus, Fady Khallouf and Gérard Cruzet.

## **2.2. Validation of the co-opting of two Directors**

The combined shareholders' meeting of March 19, 2010 also approved by a wide majority the co-opting of Jean-Pierre Mattei and Philippe Leroy as members of the Board. This had been effective since November 2009.

## **2.3. Dismissal of a Director**

At the request of a shareholder, the combined shareholders' meeting of March 19, 2010 also decided to end the term as Director of Marc van't Noordende.

At the end of this meeting, there were nine members on the THEOLIA Board of Directors.

## **3. Reorganization of Management**

At the February 9, 2010 meeting of the Board of Directors, Éric Peugeot, Chairman of the Board, was appointed Chief Executive Officer of THEOLIA, replacing Marc van't Noordende, who had taken the position in September 2008 and set up the first phase of the company's new strategic focus.

At that same Board meeting, two Executive Vice-Presidents were appointed: Jean-François Azam as Chief Operating Officer and François Rivière as Chief Financial Officer to replace Olivier Dubois.

On May 20, 2010, the THEOLIA Board of Directors, on the recommendation of Chairman Eric Peugeot, unanimously approved the appointment of Fady Khallouf as Chief Executive Officer of THEOLIA.

## **4. Sale of assets and wind projects**

### **4.1. Financing and sale of a stake in a 30 MW wind project in Italy**

Maestrale Green Energy, the Italian subsidiary of THEOLIA, announced in January 2010 the financing of a 30 MW project located in the province of Enna in Sicily. Construction of the project began in the second half of 2009 and includes 35 turbines.

In April 2010, Maestrale Green Energy sold a 39% interest in this wind project to Repower Produzione Italia spa, an entity wholly owned by Repower. At the end of the second year of the wind farm's operation, Repower Produzione Italia spa may exercise its option to purchase the remaining 51% held by THEOLIA for a period of six months.

### **4.2. Sale of a 55.5 MW wind farm in Germany**

In May 2010, the German subsidiary of THEOLIA, THEOLIA Naturenergien GmbH, sold a 55.5 MW operating wind farm in the Saxony-Anhalt region of Germany to Dortmunder Energie- und Wasserversorgung GmbH ("DEW21", Dortmund, Germany). THEOLIA Naturenergien GmbH will provide all technical and commercial management for the life of the wind farm, which has been operating since early 2006.

#### **Note 4. Change in the scope of consolidation**

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##### ▪ **Scope of consolidation**

As of June 30, 2010, the consolidated Group included, in addition to the parent company:

- 118 companies in which it directly or indirectly holds exclusive control (compared with 163 companies as of December 31, 2009).
- 1 company in which it holds joint control (compared with none as of December 31, 2009).
- 7 companies in which it exercises a significant influence (compared with 7 as of December 31, 2009).

The complete list of these companies is provided in note 22 "List of the Group companies consolidated over the period."

##### ▪ **Acquisitions**

In Italy, the Vibinum project support company held by Maestrone Green Energy was formed.

##### ▪ **Disposals**

In Germany, the operating companies Alsleben I and Windraft Netzbetrieb were sold in May 2010.

In Italy, the Luxembourg holding company MPH 1 SA was liquidated in the second quarter of 2010.

##### ▪ **Other changes**

The Group sold 39% of the voting rights in the Aerochetto company, located in Italy.

#### **Note 5. Sector information**

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Pursuant to IFRS 8 and to provide greater transparency, the Group redefined its business segments (over fiscal 2009) as follows:

- The activity **Sale of electricity for own account** is the sale of the electricity produced by the wind farms held by the Group;
- The activity **Development, construction, sale** covers the development, construction and sale of projects and wind farms;
- The **Operation** activity includes the management of the wind farms for third parties and the sale of the electricity produced by certain wind farms which are managed but not held by the Group;
- The **Non-wind activity** is not strategic and is currently being sold;
- **Corporate** activity primarily represents the holding company THEOLIA SA.

## Information for the period as of June 30, 2010 – Income statement

Income statement	Wind activities			Non-wind activity	Corporate	Total	
	Sale of electricity for own account	Development Construction Sale	Operation				
Revenue							
	<i>France</i>	6,171	1,252	57	0	2,713	<b>10,193</b>
	<i>Germany</i>	8,869	75,855	19,278	757		<b>104,759</b>
	<i>Italy</i>						
	<i>Rest of world</i>	3,558				0	<b>3,558</b>
Inter-activity sales					(2,713)		<b>(2,713)</b>
<b>Total</b>		<b>18,598</b>	<b>77,107</b>	<b>19,335</b>	<b>757</b>	<b>0</b>	<b>115,797</b>
<b>Current operating income</b>		<b>8,975</b>	<b>(3,839)</b>	<b>(4,031)</b>	<b>481</b>	<b>(7,990)</b>	<b>(6,404)</b>
Impairment			(1,582)		5	3	(1,574)
Other non-current income and expenses		(102)	(19)	(14)	(11)	(124)	(270)
<b>Operating income</b>		<b>8,873</b>	<b>(5,440)</b>	<b>(4,045)</b>	<b>475</b>	<b>(8,111)</b>	<b>(8,248)</b>
Share in income of affiliated companies				101	(346)		(245)

## Comparative information for the period as of June 30, 2009 – Income statement

Income statement	Wind activities			Non-wind activity	Corporate	Total	
	Sale of electricity for own account	Development Construction Sale	Operation				
Revenue							
	<i>France</i>	6,030	1,089	39	(0)	2,953	<b>10,111</b>
	<i>Germany</i>	18,300	56,155	19,037	792		<b>94,284</b>
	<i>Italy</i>						
	<i>Rest of world</i>	3,404			83		<b>3,486</b>
Inter-activity sales					(2,953)		<b>(2,953)</b>
<b>Total</b>		<b>27,733</b>	<b>57,245</b>	<b>19,075</b>	<b>875</b>		<b>104,929</b>
<b>Current operating income</b>		<b>7,298</b>	<b>(1,466)</b>	<b>(290)</b>	<b>(871)</b>	<b>5,795</b>	<b>10,467</b>
Impairment		(4,309)	(2,775)		11	(1,709)	(8,783)
Other non-current income and expenses		(96)	63		248	77	292
<b>Operating income</b>		<b>2,893</b>	<b>(4,179)</b>	<b>(290)</b>	<b>(611)</b>	<b>4,163</b>	<b>1,975</b>
Share in income of affiliated companies			(878)				(878)

## Information for the period as of June 30, 2010 – Balance sheet

Balance sheet	Sale of electricity for own account	Development Construction Sale	Operation	Non-wind activity	Corporate	Total
Goodwill	8,011	71,446	-	0	2	79,460
Intangible assets	38,089	51,607	14	0	16	89,726
Property, plant and equipment	207,403	32,367	2,257	12,160	1,443	255,630
Other non-current assets	5,871	13,780	0	19,418	(5,405)	33,678
<b>Total non-current assets</b>	<b>259,374</b>	<b>169,200</b>	<b>2,271</b>	<b>31,578</b>	<b>(3,944)</b>	<b>458,494</b>
Inventories	10,187	45,943	32	0	695	56,857
Trade receivables	6,123	13,159	11,371	832	154	31,638
Cash and cash equivalents	27,036	20,304	1,865	2,015	27,412	78,631
Other current assets	8,847	8,108	320	5,294	13,591	36,159
<b>Total current assets</b>	<b>52,192</b>	<b>87,514</b>	<b>13,587</b>	<b>8,141</b>	<b>41,852</b>	<b>203,286</b>
Assets intended to be sold	-	-	-	1,750	14,078	15,828
<b>TOTAL ASSETS</b>	<b>311,566</b>	<b>256,714</b>	<b>18,858</b>	<b>41,469</b>	<b>51,986</b>	<b>677,608</b>
Non-current financial liabilities	125,016	30,123	-	9,185	0	164,324
Current financial liabilities	48,129	19,726	(27)	718	221,530	290,076
Suppliers	5,447	20,415	3,401	950	4,847	35,060
Liabilities intended to be sold	-	-	-	10,618	-	10,618
Other liabilities	25,127	10,263	2,622	5,476	5,166	48,655
<b>TOTAL LIABILITIES</b>	<b>203,719</b>	<b>80,528</b>	<b>5,996</b>	<b>26,947</b>	<b>231,543</b>	<b>548,733</b>

## Comparative information for the period as of December 31, 2009 – Balance sheet

Balance sheet	Sale of electricity for own account	Development Construction Sale	Operation	Non-wind activity	Corporate	Total
Goodwill	8,012	71,446	-	0	2	79,460
Intangible assets	47,360	52,514	-	0	9	99,883
Property, plant and equipment	262,252	35,829	84	12,160	1,533	311,858
Other non-current assets	5,978	8,414	(2)	10,533	4,000	28,923
<b>Total non-current assets</b>	<b>323,602</b>	<b>168,204</b>	<b>82</b>	<b>22,693</b>	<b>5,544</b>	<b>520,123</b>
Inventories	1,186	49,238	-	0	1,390	51,814
Trade receivables	9,884	21,923	237	321	127	32,492
Cash and cash equivalents	26,380	33,510	546	2,348	31,403	94,187
Other current assets	5,714	10,985	783	526	10,073	28,081
<b>Total current assets</b>	<b>43,164</b>	<b>115,656</b>	<b>1,566</b>	<b>3,194</b>	<b>42,993</b>	<b>206,574</b>
Assets intended for sale	-	-	-	713	16,359	17,072
<b>TOTAL ASSETS</b>	<b>366,766</b>	<b>283,860</b>	<b>1,648</b>	<b>26,600</b>	<b>64,895</b>	<b>743,769</b>
Non-current financial liabilities	118,769	29,009	-	4,471	213,929	366,179
Current financial liabilities	91,632	22,077	-	5,791	4,806	124,305
Suppliers	4,764	27,674	36	870	7,940	41,284
Liabilities intended to be sold	-	-	-	11,037	-	11,038
Other liabilities	27,636	11,835	782	5,004	7,053	52,311
<b>TOTAL LIABILITIES</b>	<b>242,801</b>	<b>90,595</b>	<b>818</b>	<b>27,173</b>	<b>233,728</b>	<b>595,118</b>

### ***Comments on income/loss items:***

#### ***Sale of electricity for own account***

The revenue of €18,598K from the activity Sale of electricity for own account was down 33% from the first half of 2009. This decline is primarily due to the major sales of installed capacity made during the second half of 2009 and the first half of 2010. It should be noted that weather conditions were unfavorable early in the year, particularly in Germany, where the January and February freeze resulted in the temporary shutdown of several turbines.

The Group's installed capacity for own account was 421 MW as of June 30, 2009, compared with 267 MW as of June 30, 2010, a decline of 37%.

Current operating income for the period was €8,975K, an increase of €1,677K from the first half of 2009 when it amounted to €7,298K. This is due to the following factors, the effects of which offset each other:

- The reduction in installed capacity generated a loss of revenue for the Group;
- The poor weather conditions early in 2010 reduced the performance of the operating wind farms;
- The reduction in the amortization expense (related to the Group's change in strategy in effect since September 1, 2009) improved the results from the wind farms in operation.

Operating income amounted to €8,873K, compared with €2,893K over the same period in 2009. In 2009, the Group recognized an expense of €(4,309)K for impairment, which impacted the operating income accordingly. This was not the case in the first half of 2010.

#### ***Development, construction, sale***

Revenue generated by the Development, construction and sale activity totaled €77,107K in the first half of 2010, compared with €57,245K over the same period in 2009. This revenue was primarily due to sales of 60 MW of installed capacity in Germany.

The current operating loss of €(3,839)K was down by €(2,373)K from the first half of 2009, which recorded a loss of €(1,466)K.

Despite the increase in the number of MW sold, the margin volume recorded was down because of the sale of a wind farm that had been acquired through external growth, which included allocated goodwill derecognized over the period; this was not the case the previous year.

Operating income was also a negative €(5,540)K compared with a loss of €(4,179)K in the first half of 2009. As in the previous year, impairment of €(1,582)K was booked on the projects being developed which present risks as far as obtaining all necessary authorizations.



## Operation

The revenue generated by the Operation activity includes the amount of the sales of electricity from certain wind farms managed for third parties and the associated management fees. In the first half of 2010, it totaled €19,335K, the same level as in the first half of 2009. The increase in the number of MW managed for third parties (which rose from 329 MW as of June 30, 2009 to 518 MW as of June 30, 2010) was offset by the negative impact of the unfavorable weather conditions early in 2010.

Operating income was €(4,045)K. The gross margin generally ranging from 3% to 5% does not absorb the operating costs of this activity.

In addition, analyses performed of the collection risk for a number of current receivables in Germany required recognition of provisions in the amount of €(3,568)K.

## Non-wind activity

The non-wind activity recorded revenue of €757K and operating income of €481K, generated by the solar farm in Germany.

## Corporate

The operating income for the Corporate activity was €(8,112)K compared with a profit of €4,163K over the same period in 2009. This difference of €(12,275)K was related primarily to the following elements:

- A change in the expense for share-based payments +€3,432K
- A reversal of a provision in 2009 on the HESTIUN receivable €(15,000)K

For the first half of 2010, the items forming the operating profit/loss were as follows:

- Structural costs not covered by invoiced intra-group services €(2,189)K
- Share-based payments €(4,142)K
- Provision for risks €(1,551)K
- Other €(230)K

## Note 6. Personnel expenses

<i>In thousands of euros</i>	06/30/2010	06/30/2009
Compensation to personnel	3,806	3,713
Social security and retirement expenses	1,437	1,311
Other personnel expenses	12	10
Other personnel benefits and share-based payments (IFRS 2)	4,142	710
<b>Total personnel expenses</b>	<b>9,397</b>	<b>5,744</b>

Personnel expenses rose by €3,653K.

This was primarily the result of an increase in the allotment of free shares.

Workforce at end of period	06/30/2010	06/30/2009
Managers, employees and contributors	266	276
<b>Total</b>	<b>266</b>	<b>276</b>

The Group had 266 employees, including 80 attached to the non-wind activity.

## Note 7. Other operating income and expenses

<i>In thousands of euros</i>	06/30/2010	06/30/2009
Share-based payments (allocation of stock warrants)	-	(28)
Other income from ordinary activities	820	1,043
Other operating income and expenses	677	(1,217)
<b>Total</b>	<b>1,497</b>	<b>(202)</b>

## Note 8. Net financial income

	06/30/2010	06/30/2009
<b>Cost of gross financial debt</b>		
Interest expenses on financing operations	(12,422)	(14,906)
<b>Total</b>	<b>(12,422)</b>	<b>(14,906)</b>
Interest income from cash and cash equivalents	69	197
Income from the disposal of cash equivalents	29	349
Other income	1	53
<b>Income from cash and cash equivalents</b>	<b>99</b>	<b>599</b>
<b>Cost of net financial debt</b>	<b>(12,323)</b>	<b>(14,307)</b>

The cost of the net financial debt breaks down as follows:

- Convertible bond (THEOLIA SA)	€(7,577)K
- Borrowings (THEOLIA Nat. Gmbh)	€(592)K
- Borrowings, wind farms in Germany	€(2,083)K
- Borrowings, wind farms in France	€(1,743)K
- Borrowings, wind farms in Italy	€(253)K
- Other borrowings	€(174)K

<b>Other financial income</b>	<b>06/30/2010</b>	<b>06/30/2009</b>
Change in fair value of financial instruments	12	1,036
Reversals of provisions	345	19
Foreign exchange gains	464	(300)
Other financial income	541	354
<b>Other financial income</b>	<b>1,362</b>	<b>1,108</b>

<b>Other financial expenses</b>	<b>06/30/2010</b>	<b>06/30/2009</b>
Changes in negative fair value/hedging derivatives/debts	(4,519)	(1,188)
Variance in negative fair value of investment securities and other speculative instruments	(166)	(93)
Foreign exchange losses	(327)	(174)
Net expenses on disposal of investment securities	-	-
Other financial expenses	(2,825)	(257)
Financial depreciation and provisions	(322)	
<b>Other financial expenses</b>	<b>(8,158)</b>	<b>(1,713)</b>

<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>(6,796)</b>	<b>(604)</b>
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## Note 9. Taxes on earnings

<i>In thousands of euros</i>	<b>06/30/2010</b>	<b>06/30/2009</b>
Corporation tax owed	(1,523)	(467)
Deferred taxes	5,471	3,046
<b>Total</b>	<b>3,948</b>	<b>2,579</b>

## Note 10. Goodwill

### ▪ Change in item

<i>In thousands of euros</i>	<b>Gross value</b>	<b>Impairment</b>	<b>Net value</b>
<b>Opening values as of 01/01/2010</b>	<b>208,383</b>	<b>128,923</b>	<b>79,460</b>
Disposals	(3,601)	(3,601)	-
<b>Closing values as of 06/30/2010</b>	<b>204,781</b>	<b>125,321</b>	<b>79,460</b>

Categories	Gross value	Impairment	Net value as of 06/30/2010	Net value as of 12/31/2009
DCS * of France wind farms	11,319	-	11,319	11,319,
DCS of Germany wind farms	75,957	44,636	31,321	31,321
DCS of Italy wind farms	28,801	-	28,801	28,801
DCS of Spain wind farms	1,650	1,645	5	5
DCS of Other Countries wind farms	1	-	1	1
Production of wind energy	85,234	77,222	8,012	8,012
Non-wind activity	109	109	-	-
Corporate activity	1,711	1,709	2	2
<b>Total</b>	<b>204,782</b>	<b>125,322</b>	<b>79,460</b>	<b>79,460</b>

\*DCS: Development, construction, sale

## Note 11. Intangible assets and property, plant and equipment

### Intangible assets

<i>thousands of euros</i>	Projects in development	Development costs (1)	Software and similar rights	Other intangible assets	TOTAL
<b>Gross values as of 01/01/2010 – opening balance</b>	<b>58,465</b>	<b>4,227</b>	<b>671</b>	<b>80,593</b>	<b>143,956</b>
Acquisitions and non-current assets generated internally	3,169	-	46	24	3,239
Impairment	(1,168)	-	(2)	-	(1,170)
Disposals	-	-	-	(9,800)	(9,800)
Impact of change in method of consolidation	(1,426)	-	-	-	(1,426)
Conversion losses/gains	47	-	-	1,370	1,417
Other changes	487	-	-	53	540
<b>Gross values as of 06/30/2010 – closing balance</b>	<b>59,574</b>	<b>4,227</b>	<b>715</b>	<b>72,240</b>	<b>136,756</b>
<b>Cumulative depreciation and amortization as of 01/01/2010 – opening balance</b>	<b>(11,041)</b>	<b>(697)</b>	<b>(573)</b>	<b>(31,762)</b>	<b>(44,073)</b>
Amortization	-	-	(40)	(1,362)	(1,402)
Depreciation for impairment	(2,019)	-	-	-	(2,019)
Reversals on sales	-	-	-	1,232	1,232
Conversion losses/gains	-	-	-	(710)	(710)
Other changes	(58)	-	-	-	(58)
<b>Cumulative depreciation and amortization as of 06/30/2010 – closing balance</b>	<b>(13,118)</b>	<b>(697)</b>	<b>(613)</b>	<b>(32,602)</b>	<b>(47,030)</b>
<b>Net values as of 01/01/2010 - opening balance</b>	<b>47,424</b>	<b>3,530</b>	<b>98</b>	<b>48,831</b>	<b>99,883</b>
<b>Net values as of 06/30/2010 – closing balance</b>	<b>46,456</b>	<b>3,530</b>	<b>102</b>	<b>39,638</b>	<b>89,726</b>

(1) Most of this item consists of wind project development costs.

The gross value of the wind projects in development rose slightly by €1,109K, which is due to the progress on the projects developed internally. The acquisitions and assets generated internally and completed over the year, representing €3,169K, reflect the progress on the wind projects in development in France for €1,389K and in Italy for €1,780K.

The impact of the change in the consolidation method of €(1,426)K concerns the Giunchetto wind farm under construction. It is now recognized proportionately in the Group accounts at 51%.

The risks on certain projects in development led the Group to recognize impairment in the amount of €(2,019)K. In particular, impairments in the amount of €(1,482)K for the wind projects in Italy were booked in the accounts of the developer Maestrale Green Energy.

The item "Other intangible assets" is down primarily because of the sale of the Alsleben and Netzbetrieb wind farms (impact of €(9,800)K in gross value).

The reversals on disposals in the amount of €1,232K are related to the wind farms sold in Germany.

▪ **Property, plant and equipment**

<i>In thousands of euros</i>	Land	Fixtures and improvements	Projects under construction	Technical facilities (1)	Other property, plant and equipment	TOTAL
<b>Gross values as of 01/01/2010 – opening balance</b>	<b>6,262</b>	<b>2,991</b>	<b>35,340</b>	<b>353,695</b>	<b>3,449</b>	<b>401,737</b>
Acquisitions	26	8	10,910	4,446	145	15,535
Disposals	-	-	-	(66,318)	(94)	(66,412)
Impact of change in method of consolidation	(17)	(39)	(12,541)	(8)	-	(12,605)
Conversion losses/gains	-	4	-	8	21	33
Other changes	-	9	364	(3,164)	(566)	(3,356)
<b>Gross values as of 06/30/2010 – closing balance</b>	<b>6,271</b>	<b>2,973</b>	<b>34,073</b>	<b>288,659</b>	<b>2,955</b>	<b>334,932</b>
<b>Cumulative depreciation and amortization as of 01/01/2010 – opening balance</b>	<b>(1,177)</b>	<b>(1,461)</b>	<b>(2,831)</b>	<b>(81,940)</b>	<b>(2,474)</b>	<b>(89,881)</b>
Amortization	-	(95)	-	(1,685)	(183)	(1,963)
Depreciation for impairment	-	-	-	-	9	9
Reversals on sales	-	-	-	12,162	69	12,231
Conversion losses/gains	-	-	-	(3)	(7)	(10)
Other changes	-	40	-	(95)	366	311
<b>Cumulative depreciation and amortization as of 06/30/2010 – closing balance</b>	<b>(1,177)</b>	<b>(1,516)</b>	<b>(2,831)</b>	<b>(71,561)</b>	<b>(2,220)</b>	<b>(79,302)</b>
<b>Net values as of 01/01/2010 – opening balance</b>	<b>5,085</b>	<b>1,530</b>	<b>32,509</b>	<b>271,755</b>	<b>975</b>	<b>311,858</b>
<b>Net values as of 06/30/2010 – closing balance</b>	<b>5,094</b>	<b>1,457</b>	<b>31,242</b>	<b>217,098</b>	<b>735</b>	<b>255,630</b>

(1) Most of this item consists of wind farms in operation.

The primary changes in property, plant and equipment apply to projects under construction and technical facilities (wind farms).

The gross value of the projects under construction fell by €(1,267)K. The main changes were as follows:

Acquisitions:

- The wind projects in Italy increased by €10,836K because of the acquisition of Vestas turbines by Aerochetto.

Decreases:

- The company carrying the Giunchetto wind project is now consolidated proportionately for 51%. This change in method resulted in a decrease of €(12,484)K in the consolidated assets (see note 4 – Change in the scope of consolidation).

The acquisitions of technical facilities in the amount of €4,446K primarily reflect the Waltrup wind farm in Germany for €4,325K.

The disposals of technical facilities in the amount of €(66,318)K represent the wind farms sold in Germany.

The item "Other changes" decreased by €(3,164)K in net value. The Wolgast company in Germany completed a reclassification of its plant, property and equipment to inventories in order to sell them.

The reversals on disposals for €12,162K reflect the sale of the wind farms in Germany.

## Note 12. Affiliated companies

<i>In thousands of euros</i>	% held	Share in net assets of affiliated companies	Share in income of affiliated companies
Erneuerbare Energie Ernte Vier Gmbh	48.00%	(138)	(13)
Naturstromez	43.80%	-	-
Ecolutions	35.21%	9,775	(346)
THEOLIA India Wind Power	50.00%	806	148
THEOLIA Sitac Wind Power	50.00%	(38)	(35)
Asset Electrica	50.00%	-	-
<b>Total closing balance as of 06/30/2010</b>		<b>10,406</b>	<b>(245)</b>

## Note 13. Inventories

<i>In thousands of euros</i>	06/30/2010	12/31/2009
Wind projects	52,585	42,324
Materials	11,949	15,205
Depreciation	(7,677)	(5,715)
<b>Net value</b>	<b>56,857</b>	<b>51,814</b>

			06/30/2010	12/31/2009
	Gross value	Depreciation	Net value	Net value
Germany	37,610	(1,886)	35,724	29,611
France	1,814	(906)	908	1,112
Rest of world	2,787	(666)	2,121	1,938
Italy	823	(406)	417	772
Corporate	21,500	(3,814)	17,686	18,381
	<b>64,535</b>	<b>(7,677)</b>	<b>56,857</b>	<b>51,814</b>

The inventory in Germany in the amount of €35,725K consists of the wind projects stored in the context of the "trading" activity for €26,685K and turbine components for €10,925K. The risks affecting certain projects required the recognition of a provision for €(1,885)K.

The net inventories of projects developed by the companies of "Rest of World" represent:

- The projects developed in Brazil €1,097K
- The parts for the maintenance of the wind farm in Morocco €1,024K

The inventory for €17,686K for the Corporate activity primarily represents the Suzlon turbines acquired in 2008 for a total of €20,110K. As of June 30, 2010, the Group's estimate of their resale value was unchanged.

#### Note 14. Derivatives

An interest rate swap was established on the Aerochetto company as part of the financing. The notional amount of the swap represents 75% of the notional amount of the debt (amount consolidated in these statements: €18,297K). This avoids the increase in the interest expense if interest rates increase.

#### Note 15. Cash and cash equivalents

	06/30/2010	12/31/2009
Investment securities (net)	32,344	25,503
Treasury shares	-	-
Cash	46,287	68,684
<b>Total cash and cash equivalents</b>	<b>78,631</b>	<b>94,187</b>
Overdrafts	-	(7)
<b>Net cash</b>	<b>78,631</b>	<b>94,180</b>

	06/30/2010	12/31/2009
Cash available	39,916	52,770
Reserved cash - SSP	16,747	16,503
Blocked cash	21,968	24,914
Overdrafts	-	(7)
<b>Total cash and cash equivalents</b>	<b>78,631</b>	<b>94,180</b>

The Group's cash consists of an available portion, a reserved portion, and a blocked portion. As of June 30, 2010, cash available amounted to €39,916K (51% of the total cash), including €26,353K for THEOLIA SA and €13,563K in the subsidiaries. This cash is allocated directly to the operating activities of the companies, sometimes with limited possibilities for return to the holding company.

The €13,563K breaks down as follows:

- France excluding holding:	€656K
- Germany:	€11,614K
- Italy:	€913K
- Other countries:	€380K

The cash reserved totals €16,747K (21% of total cash). This portion represents the cash which the project support companies cannot use freely under the financing terms and conditions. The reserved cash finances their current operations.

This portion breaks down as follows:

- France:	€8,371K
- Germany:	€5,384K
- Morocco:	€2,992K

Blocked cash amounts to €21,968K (28% of total cash). This cash may not be freely used for current operations. It primarily reflects pledges made to banks to the extent that it is used to repay subsidiary loans.

It breaks down as follows:

- France:	€4,127K
- Germany:	€14,738K
- Italy:	€850K
- Rest of world:	€2,253K

Marketable securities amount to €32,344K, including €25,564K for THEOLIA SA. They represent secure investments and consist essentially of money market cash SICAV (about 90% of the investments).

#### **Note 16. Activities discontinued, sold or in the process of being sold**

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In the context of its reorganization, the Group decided to sell its activities considered to be non-strategic: primarily the assets of the non-wind activities. This decision was formalized in a resolution of the THEOLIA Board of Directors in November 2008 and reconfirmed by the Board of Directors on September 2, 2010. As of June 30, 2010, the withdrawal process was under way since negotiations were in progress.

The assets and liabilities in question representing the environmental division are booked in the following companies:

- SERES Environnement,
- Ecoval 30,
- Nemeau (in the process of being shut down following sale of assets),
- Therbio.



The marketing of these assets was recognized in the annual financial statements as of December 31, 2008 as required by IFRS 5 "Non-current assets held for sale and discontinued operations." As of June 30, 2010 this accounting treatment was maintained.

Thus, all transactions for the period relating to the environmental division and the peaking units have been combined on the income statement line "Income net of corporate tax from discontinued activities or those in the process of being sold". The assets and liabilities have been combined on one line under assets and liabilities of the balance sheet: "Assets/liabilities related to discontinued activities."

Impairments were booked on these asset values on the basis of the probable selling prices.

As these activities have been discontinued, the income statement for the comparative period, i.e. as of June 30, 2009, has been restated to present comparative information established in accordance with IFRS 5.

▪ **Information on the income statement as of June 30, 2010**

<i>In thousands of euros</i>	THEOLIA Group before IFRS 5 06/30/2010	Adjustments - IFRS 5	THEOLIA Group adjusted for IFRS5 06/30/2010
<b>Revenue</b>	<b>119,815</b>	<b>(4,018)</b>	<b>115,797</b>
Other income from ordinary activities	875	(54)	820
Income from ordinary activities	120,689	(4,072)	116,617
Purchases and changes in inventories	(91,226)	700	(90,526)
In-house production	(158)	158	0
External expenses	(16,418)	2,279	(14,138)
Personnel expenses	(11,595)	2,198	(9,397)
Taxes, duties and similar payments	(769)	155	(614)
Net depreciation and provisions	(6,629)	105	(6,524)
Other operating income and expenses	(577)	1,254	677
<b>Current operating income</b>	<b>(6,581)</b>	<b>2,677</b>	<b>(3,904)</b>
Impairment	(308)	(1,266)	(1,574)
Other non-current income and expenses	(185)	(85)	(270)
<b>Operating income</b>	<b>(7,074)</b>	<b>1,326</b>	<b>(5,748)</b>
Cost of net debt	(12,461)	138	(12,323)
Other financial income and expenses	(6,768)	(29)	(6,796)
<b>Financial income</b>	<b>19,228</b>	<b>(109)</b>	<b>19,119</b>
Share of net income of affiliated companies	(245)	0	(245)
Taxes	4,017	(68)	3,948
<b>Net income from ongoing activities</b>	<b>(22,532)</b>	<b>1,368</b>	<b>(21,164)</b>
Net income from activities intended for sale	0	(553)	(553)
<b>NET INCOME</b>	<b>(22,540)</b>	<b>824</b>	<b>(21,717)</b>
- Group share	(21,182)	0	(21,182)
- Minorities share	(535)		(535)

▪ **Information on the income statement as of June 30, 2009**

<i>In thousands of euros</i>	THEOLIA Group before IFRS 5 06/30/2009	Adjustments - IFRS 5	THEOLIA Group adjusted for IFRS5 06/30/2009
<b>Revenue</b>	<b>109,796</b>	<b>(4,868)</b>	<b>104,929</b>
Other income from ordinary activities	1,080	(37)	1,043
Income from ordinary activities	110,877	(4,905)	105,972
Purchases and changes in inventories	(73,333)	1,042	(72,291)
In-house production	(227)	227	
External expenses	(18,547)	2,768	(15,779)
Personnel expenses	(8,093)	2,349	(5,744)
Taxes, duties and similar payments	(852)	204	(648)
Net depreciation and provisions	139	63	202
Other operating income and expenses	(997)	(248)	(1,245)
<b>Current operating income</b>	<b>9,420</b>	<b>1,047</b>	<b>10,467</b>
Impairment	(10,112)	1,329	(8,783)
Other non-current income and expenses	204	88	292
<b>Operating income</b>	<b>(490)</b>	<b>2,464</b>	<b>1,974</b>
Cost of net debt	(14,463)	156	(14,307)
Other financial income and expenses	(749)	145	(604)
<b>Financial income</b>	<b>15,213</b>	<b>(301)</b>	<b>14,911</b>
Share of net income of affiliated companies	(1,057)	179	(878)
Taxes	2,618	(40)	2,579
<b>Net income from ongoing activities</b>	<b>(14,141)</b>	<b>2,905</b>	<b>(11,236)</b>
Net income from activities intended for sale	( )	(2,905)	(2,905)
<b>NET INCOME</b>	<b>(14,140)</b>		<b>(14,140)</b>
- Group share	(14,027)		(14,027)
- Minorities share	(113)		(113)

**Note 17. Shareholders' equity**

▪ **Number of shares outstanding**

As of June 30, 2010, the capital consisted of 40,308,707 shares with a par value of €1.

	Number of shares as of 01/01/2010	Free shares	06/30/2010
Number of shares	39,895	414	40,309*
<b>Number of equity interests</b>	<b>39,895</b>	<b>414</b>	<b>40,309</b>
<b>Share capital</b>	<b>39,895</b>	<b>414</b>	<b>40,309</b>

\* Of which 93,420 treasury shares

Double voting rights are given to shareholders who are French nationals or nationals of the European Community for shares which are fully paid up and have been registered for at least two years in the name of the same shareholder.

- **Share-based payments**

- **Number of stock warrants**

<b>Stock warrants exercisable as of December 31, 2009</b>	<b>3,922,650</b>
Stock warrants cancelled	300,000
<b>Balance as of June 30, 2010</b>	<b>3,622,650</b>

- **Free shares**

Free shares were awarded on the following dates:

- In 2005:	16,000
- October 13, 2006:	407,500
- February 6, 2007:	175,215
- January 8, 2008:	100,000
- January 30, 2008:	313,500
- February 11, 2009:	44,407
- June 11, 2009:	199,426
- December 17, 2009:	1,413,278
- February 22, 2010:	210,000
a total of:	2,879,326 shares

The shares allotted in February 2010 and December 2009 will be fully vested at the end of the vesting period from the date they were allotted (employment criterion). In addition, the shares allotted in December 2009 are also based on performance and employment criteria.

The free shares allotted were valued at the price on the date of allotment (for the allotments of 2009: €2.55 for the allotment of February 11, 2009; €3.12 for the allotment of June 11, 2009; €3.40 for the allotment of December 17, 2009 and €3.07 for the allotment of February 22, 2010).

The expense of €4,142K recognized for the period represents:

- Shares allotted in 2009:	€3,682K
- Shares allotted in 2010:	€460K

This expense includes the shares granted to former corporate officers. The Group reserves the right to use any and all legal means available to it to dispute the definitive allotment of these shares. A procedure is currently underway to contest the allotment of these shares.

## Note 18. Financial liabilities

### Change in borrowings and financial debt

<i>In thousands of euros</i>	Loans from credit establishments	Convertible bond	Bank overdrafts and equivalent	Other financial liabilities	<b>TOTAL</b>
<b>Opening balances as of 01/01/2010</b>	<b>267,211</b>	<b>218,729</b>	<b>7</b>	<b>4,534</b>	<b>490,481</b>
Increase	27,296	7,598	-	8,662	<b>43,556</b>
Repayment	(35,291)	(4,800)	(1)	(67)	<b>(40,159)</b>
Change in scope of consolidation	(37,421)	-	(2)	(731)	<b>(38,154)</b>
Conversion losses/gains	102	-	-	-	<b>102</b>
Other changes	241	-	-	(1,667)	<b>(1,426)</b>
<b>Financial debt</b>	<b>222,138</b>	<b>221,527</b>	<b>4</b>	<b>10,731</b>	<b>454,400</b>

The financial debt decreased by €(36,081)K primarily because of the following events:

- The increase in borrowings from credit institutions in the amount of €27,296K primarily reflecting:
  - The drawdown on the Giunchetto project debt (Aerochetto Srl) €18,297K
  - The drawdown on the project debts in Germany (Waltrop, Klein Steimke, Meerbusch) €8,108K
  - Other €891K
- The loan repayments in Germany, for €(31,531)K, primarily for:
  - Transfer of financing by THEOLIA Naturenergien to 3 PSC €(3,000)K
  - Corporate lines of credit €(6,921)K
  - Repayment of borrowings on project financing (Germany) €(19,807)K
  - Repayment of the loan for the Coesfeld wind farm (sold) €(1,444)K
  - Solar park €(359)K

The item related to changes in scope of consolidation in the amount of €37,421K represents the sale of the Alsleben wind farm in Germany.

The change of €2,798K in the OCEANE convertible bond reflects the payment of the 2009 accrued interest of €4,800K included in the opening balance and the recognition of additional interest because of the hybrid nature of the bond (existence of a debt and equity component and application of the effective interest rate) and the interest accrued over the first half of 2010 for the total amount of €7,598K.

The increase of €8,662K in other financial liabilities primarily reflects the negative change in the rate hedging instruments set up in the operating wind farms in France and Italy.

## Group debt by maturity

The table below presents the financial debt based on the projections for repayment of the nominal amount in the short, medium and long term.

<i>In thousands of euros</i>	Less than 1 year	1 to 5 years	Over 5 years	Consolidated 06/30/2010	Consolidated 12/31/2009
<b>Convertible bond</b>	<b>221,527</b>	-	-	<b>221,527</b>	<b>218,729</b>
<b>Corporate loans</b>	<b>15,606</b>	<b>0</b>	<b>(0)</b>	<b>15,606</b>	<b>28,523</b>
<b>Project financing loans</b>	<b>44,731</b>	<b>70,642</b>	<b>91,156</b>	<b>206,530</b>	<b>238,688</b>
. France	13,798	17,181	36,391	67,369	69,724
. Italy	158	13,867	13,730	27,756	8,770
. Germany	28,729	38,520	41,036	108,284	156,212
. Morocco	2,047	1,074		3,121	3,982
<b>Financial instruments or derivatives</b>	<b>8,172</b>	-	-	<b>8,172</b>	<b>4,534</b>
<b>Bank overdrafts</b>	-	-	-		<b>7</b>
<b>Other debts</b>	<b>40</b>	<b>2,525</b>	-	<b>2,566</b>	
<b>Total debt</b>	<b>290,076</b>	<b>73,168</b>	<b>91,156</b>	<b>454,400</b>	<b>490,481</b>

As a result of the cases of default related to the financial restructuring of the Company, as of December 31, 2009 the debts of several project support companies in France were declassified as current portion because of the temporary nature of the waivers obtained from the lenders. As of December 31, 2009, this downgrade represented 55.1 million euros out of 59.9 million euros and concerned the following companies: CEFF, CESAM, CEPLO, CEMDF, CESAL, and CESA. The same reclassification had been applied to the borrowing attached to the farm in Morocco (CED) where the non-current portion, which was 2 million euros as of December 31, 2009, was reclassified as current portion.

Following the success of the financial restructuring, this reclassification of the non-current portion of project debt as current debt was cancelled (excluding CESA). The classification by maturity reflects as of June 30, 2010 the amortization plan for each loan.

The short-term debt (excluding financial instruments and other debts) for €281,864K has the following characteristics:

- Short-term portion of long-term debt (1)	€27,164K
- Current loans related to the financing of the activity of THEOLIA Naturenergien	€15,606K
- Non-current loans classified in full as short-term (2)	€17,567K
- OCEANE	€221,527K

(1) This item represents the borrowings financing the wind farms in operation and under construction for the portion repayable in less than a year.

(2) This item represents the long-term borrowings attached to wind farms in operation or at the end of construction in Germany which are being refinanced and for which the failure to comply with covenants required classification of the debt as current portion.

The convertible bond is presented as current debt. The planned financial restructuring significantly modifies the characteristics of this bond. Under IFRS, this will result in the complete derecognition of the existing borrowing, then the recognition of a new convertible debt.

As the operation was finalized in July 2010, the characteristics of this borrowing will be modified in the statements for the period ending December 31, 2010.

### Analysis by type of rate

	06/30/2010	12/31/2009
Fixed rate	317,294	360,439
Variable rate	137,106	130,042
<b>TOTAL</b>	<b>454,400</b>	<b>490,481</b>

The fixed-rate borrowings reflect €221,527K for the convertible bond. The balance reflects borrowings related to projects in Germany or the corporate financing of THEOLIA Naturenergien.

### Derivatives

The derivatives established to manage the rate risk on the variable-rate borrowings are booked at fair value as of June 30, 2010. The changes in fair value are booked as profit or loss.

The valuation of the rate swaps as of June 30, 2010 as recognized amounted to €(8,172)K versus €(4,318)K as of December 31, 2009.

### Covenants

The Group has three types of financing:

- Group corporate debt: OCEANE
- Germany corporate debt: this financing carries financial covenants related primarily to respect for the borrower's financial structure ratios (ratio of financial debt/equity or financial debt/EBITDA)
- Project debt for France, Germany, Italy and Morocco: this financing, which is related to the construction of wind farms, carries financial covenants related primarily to respect for cash flow ratios (cash generated by the activity/debt service) and financial structure ratios (financial debt/equity).

### Group corporate debt

The contract related to the issuance of the OCEANE bond stipulates the following:

- Control by the Group parent company must be maintained;
- The Company's shares must continue to be listed for trading on the Eurolist by Euronext market;
- Any payment default on a financial debt or financial debt guarantee by the Company or one of its major subsidiaries in an amount at least equal to 1 million euros will automatically result in early payment of the debt.

As of June 30, 2010, the covenants on the Group corporate debt were met.

### ***Project debt***

- *France wind farms as of June 30, 2010*

As of June 30, 2010, the Group has not met certain financial commitments required in the context of the financing for the farm operated in France by Centrale Eolienne des Sablons, which has bank debt of approximately 9.2 million euros; the minimum half-year ratio of coverage for the debt service was not met over the first half of 2010 because of exceptionally weak wind conditions. However, this ratio has been met over the last twelve sliding months. As it was the case for the ratio in June 2009, a request for a waiver of the claim of failure to meet this financial ratio will be made to the lender.

As a result, the non-current portion of the financial debt, which is €8,488K, was classified in full as current. Thus, the balance of the loan subscribed in the amount of €9,167K appears in current financial debt.

- *Germany wind farms as of June 30, 2010*

As of June 30, 2010, the financial covenants on the debt in Germany had all been met.

On the closing date of the 2010 half-year accounts, no project company of the Group was asked for early repayment because of a default declared by the lenders in question.

- *Failure related to the financial restructuring (December 31, 2009)*

Certain project financing documents stipulate that the operations conducted by the Company in restructuring its corporate debt (appointment of an ad hoc agent and the conduct of negotiations with bondholders for the restructuring of the OCEANES) constitute default events.

With the completion of the capital increase, the events constituting defaults no longer exist and the Group is therefore no longer in default. For information, the Company obtained temporary waivers from asserting these cases of default from the banks in question. The project support companies affected were Centrale Éolienne des Sablons (CESA), Centrale Éolienne des Plos (CEPLO), Centrale Éolienne du Moulin de Froidure (CEMDF), Centrale Éolienne de Sallen (CESAL), Centrale Éolienne de Seglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF).

- *Failure related to the reorganization of the activities in France (December 31, 2009)*

On December 31, 2009, the Company began to reorganize its activities in France. The Company sold 100% of the Ventura shares it owned to THEOLIA France and, at the end of this sale, Ventura and Natenco SAS were dissolved with a universal transmission of assets to THEOLIA France, without liquidation of these companies. Certain financing documents stipulate that this operation is a case of default.

The Company obtained waivers from assertion of these events of default from the banks in question for all the financing of its wind farms in France. Under the terms of these waivers, the Company agreed to provide various documents and update the financing documents with the Group's new legal structure in France. These waivers are all in effect on this date.

- *Failures related to the level of the ratios as of June 30, 2009*

As of June 30, 2009, the Group had not met certain financial commitments required in the financing of two wind farms in France (Centrale Eolienne des Sablons) and Morocco (Compagnie Eolienne du Détroit). The ratios for the two wind farms were met as of December 31, 2009. In addition, for each of the two wind farms, the project banks have confirmed in writing that they waived invoking failure to meet this financial ratio.

#### **Germany corporate debt**

Since December 31, 2009, two banks that provided financing to THEOLIA Naturenergien GmbH have indicated that they want to reduce their exposure and have each reduced the maximum amount of their revolving credit from 10 million euros as of December 31, 2009 to 3 million euros, which equaled the amounts drawn.

Südwestbank indicated that it would maintain the credit facility granted to THEOLIA Naturenergien until September 30, 2010 and the conditions for maintaining the line of credit are currently being defined.

The Voralberger bank indicated that it wanted to terminate the line of credit of 3 million euros, effective December 31, 2010, pursuant to the terms of the contract.

#### **Other**

In addition, the loss of half of the share capital of Ecoval 30 (non-wind activity) at the close of fiscal 2009 is a clause of breach of covenant. The amount of the debt at June 30, 2010, which was €5,363K, is booked on the line "liabilities from discontinued activities". The Company was being recapitalized on the date these accounts were closed.

### **Note 19. Related parties**

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- **Transactions between the Group and the Directors**

Georgius Hersbach, a Director of the THEOLIA Company, signed a consulting service agreement under which Heartstream Corporate Finance B.V. offers consulting services in the context of the Group's sale of a wind farm in Germany. The compensations terms are as follows: success bonus of 1.25% of the value of the farm sold. This contract ended July 1, 2010.



The transactions executed with the Group are summarized below:

<i>In thousands of euros</i>	06/30/2010	06/30/2009
Operating income		45,951
Operating expenses	900	(55)
	<b>900</b>	<b>45,896</b>

  

<i>In thousands of euros</i>	06/30/2010	12/31/2009
Operating receivables		2,601
Operating debts		(1,164)
	-	<b>1,437</b>

- **Executive compensation**

The compensation of the executives with a technical function within the company is detailed below.

<i>In thousands of euros</i>	06/30/2010	06/30/2009
Salaries and bonuses	456	133
Share-based payments	3,865	622
Executives' fees		
Directors' fees	199	132
Other compensation	46	275
	<b>4,556</b>	<b>1,162</b>

The executive compensation item includes the two Management teams which operated over the first half of 2010. Only the fixed compensation has been recognized.

The amount of the Directors' fees paid to the members of the THEOLIA Board of Directors amounted to €199K over the six-month period (€132K as of June 30, 2009).

Over the 2010 period, the Group recognized an expense of €3,855K for share-based payment for free shares allotted to former corporate officers of THEOLIA SA.

This expense takes into account shares granted to former corporate officers. The Group reserves the right to use any and all legal means available to it to dispute the definitive allotment of these shares. A procedure is currently underway to contest the allotment of these shares.

## **Note 20. Commitments and contingent liabilities**

In the context of its activities of development/construction of wind farms, the Group generally establishes a subsidiary in each country in which it is present. When the Group develops a wind project in the country, the corresponding subsidiary constitutes a Project Support Company which holds the assets and liabilities specific to the project. This subsidiary is the principal debtor for the project financing. These host structures may be direct subsidiaries of the Company in some jurisdictions, or indirect through intermediary holding companies.

The Group may not consolidate the assets and liabilities or the revenue or expenses of these subsidiaries in its consolidated statements if it finds an absence of control as defined by the IFRS.

However, as the holding company of the Group, the Company may be required by its lenders, suppliers and customers to provide loans, liquid assets or other types of support to its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the IFRS consolidated accounts of the Group, these loans, liquid assets or other types of support for the market risk do not appear on the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- Letters of credit to provide the working capital of the subsidiaries;
- Guarantees to wind turbine suppliers;
- Financing guarantees for subsidiaries for the development of wind projects;
- Guarantees on obligations to reimburse the purchase price to customers;
- Letters of comfort granted to subsidiaries; and
- Other commitments (direct agreements, etc.)

In addition, in certain cases, unconsolidated entities may also provide the Group with loans, liquid assets or other types of support for market risk which also constitute off-balance sheet commitments.

**Commitments made by the Company or other companies of the Group**

The table below provides a summary of the amounts of the off-balance sheet commitments present within the Company as of June 30, 2010:

Agreement type	Committed subsidiaries	Beneficiary	Purpose	Duration/ Term	Amount (€millions)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee of a maximum of €7.5 million to secure a credit line totaling €10 million intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee of a maximum of €7.5 million to secure a credit line totaling €10 million intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	CIC Est – Mulhouse	Guarantee commitment dated September 13, 2004 to secure up to €2,100,000 in loans granted by the bank to SNC Milini A R Laoulan (sale of its interest in SNC Milan A R Laoulan of March 25, 2008 but guarantee remaining in effect)	Sept. 30, 2017	1.7
Comfort letter	THEOLIA Deutschland	THEOLIA Deutschland	On June 29, 2010 THEOLIA granted a comfort letter to its subsidiary Theolia Deutschland GmbH	June 30, 2011	2.5
Joint and several guarantee	Aerochetto Srl	Vesta Italia Srl	Joint and several guarantee granted September 24, 2008 securing the obligations assumed by the subsidiary of Maestrane Green Energy, Aero-Chetto Srl, pursuant to an agreement for the sale of 35 turbines dated August 8, 2008	Dec. 31, 2011	0.3
Joint and several guarantee	CESAM CEFF	Credit establishments	Signing of two separate commitments for joint and several guarantees from ROYAL BANK OF SCOTLAND to SAS CESAM and SAS CEFF	Variable	16.4
Joint and several guarantee	Ecoval 30	Crédit Agricole	Joint and several guarantee for the loan contracted June 27, 2005 by Ecoval 30 for a term of 15 years	June 27, 2020	4.6
Joint and several guarantee	Ecoval 30	Société Générale	Joint and several guarantee for the loan contracted June 27, 2005 by Ecoval 30 expiring June 14, 2012. Under the terms of this guarantee, it remains in place, in principal, if Ecoval 30 is sold by THEOLIA to a third party.	June 14, 2012	0.7
Guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for a maximum of €140,000. This guarantee is now capped at €111,086 euros in the context of the litigation involving the Cabries drinking water station.	N/A	0.1
Guarantee	THEOLIA France SAS	Vol-V	Joint and several guarantee by THEOLIA of the amounts owed by Ventura SA and THEOLIA France SAS to VOL-V	Jan. 31, 2012	0.1
Joint and several guarantee	THEOLIA France SAS	CESAL	Joint and several guarantee of €200,000 agreed in the context of guarantee (of dismantlement) upon first demand by CESAL in favor of Mrs. Luzia MELLIN, property owner, and implementation of by Société Générale (amount depending on construction cost index-reference index= 1 <sup>st</sup> quarter 2007).	Oct. 10, 2034	0.2
Corporate headquarters lease agreement	THEOLIA SA	La Halte de Saint Pons SAS	Contractual commitment dated January 28, 2008 to lease the premises of the corporate headquarters for a 9-year period (starting March 1, 2008) without possibility of early termination.	Feb. 28, 2017	3.1
Pledge of SPV shares	SPVs	Credit establishments or third parties (assignees)	Certain Group companies – listed below— may approve guarantees in the context of the financing of wind farms, and projects by financial establishments for the dismantling of wind farms	Variable according to loan duration	61.1
Pledge of open accounts	THEOLIA Naturenergien GmbH	Banking institutions	Pledge with various banking institutions of a certain number of accounts open on their books to guarantee costs that might be incurred during the dismantling of certain wind farms in Germany.	Variable	7.4
Pledge of open accounts/agreements for expenses	SPVs France	Banking institutions	Pledge to a number of banks on a certain number of accounts open in their books	Variable	3.4
<b>TOTAL</b>					<b>116.6</b>

### **Customary guarantees of liabilities in the context of sales of wind farms**

As part of their wind farm sales activities, the companies of the Group in France, Germany and Italy grant customary asset and liability warranties to the buyers for periods ranging from 18 to 36 months.

### **Guarantees for wind farm financing**

The companies of the Group grant guarantees for the financing of wind farms by financial institutions or for the dismantling of the turbines.

These guarantees are pledges of securities of the companies holding the wind projects for the duration of the long-term loan.

The table below shows the Group's pledges of assets described above as of June 30, 2010:

<b>Entity</b>	<b>Pledge start date</b>	<b>Pledge expiry date</b>	<b>Value of assets pledged, in K€</b>
<b>France</b>			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA *	09/22/2006	04/30/2021	798
CESA	10/12/2006	12/31/2020	30
THEOWATT	06/21/2007	12/31/2023	40
CEPLO	06/21/2007	12/31/2022	184
CEMDF	06/21/2007	12/31/2022	56
CESAL	03/20/2008	12/31/2023	645
<b>Total as of June 30, 2010</b>			<b>4,986</b>
<b>Morocco</b>			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
<b>Total as of June 30, 2010</b>			<b>45,385</b>
<b>Italy</b>			
Aerochetto Srl **	12/15/2009	06/30/2025	530
Garbino Eolica Srl (Pergola) **	07/10/2009	06/30/2010	1,164
<b>Total as of June 30, 2010</b>			<b>1,694</b>
<b>Germany</b>			
Theolia Windpark Werbig GmbH & Co. KG **	06/26/2009	Variable	2,606
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) **	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) **	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) **	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG **	06/26/2009	Variable	2,559
Windhagen Projekt Waltrop GmbH & Co. KG **	03/27/2010	Variable	2,170
<b>Total as of June 30, 2010</b>			<b>8,992</b>
<b>Total as of June 30, 2010</b>			<b>61,057</b>

\* *SNC Les Eoliennes du Plateau was transformed into a simplified joint stock company (SAS) on June 28, 2010.*

\*\* *Pledges made to the buyer.*

### **Commitments received**

On December 24, 2008, THEOLIA SA announced the sale of its entire stake (4,716,480 shares) in THENERGO to the HESTIUN company for the amount of 15 million euros. The Company retains an option to buy back these shares, if it wishes, at the agreed price of 120% of this same price no later than December 31, 2010.

Finally, during the fiscal year 2009, THEOLIA France SAS received a construction bonus (in an escrow account) related to the sale of wind farms, customary guarantee and warranties (1 year), a

commitment for non competition (for 3 years), and of non recruitment (for 5 years) in the context of the acquisition of the voting rights of the company Ventura SAS on September 8, 2009, as well as performance guarantee related to the turbines in operation in certain wind farms.

## **Note 21. Events after the closing date**

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### **1. Success of the 60.5 million euros capital increase and completion of the Company's financial restructuring**

On July 14, 2010, THEOLIA announced that the capital increase with maintenance of the preemptive subscription right, which opened from June 25 to July 7, 2010, had been fully subscribed, ensuring total gross proceeds of 60,463,059 euros.

This success represents for THEOLIA, its shareholders and its bondholders a fundamental step which completes the financial restructuring of the Company.

60,463,059 new common shares of THEOLIA stock, including 49,555,218 common shares on an irreducible basis and 10,907,841 common shares subject to allocation, were subscribed at the unit price of 1 euro.

Settlement-delivery and the listing of the new shares on the Euronext Paris market took place on July 20, 2010.

The changes in the terms of the OCEANEs approved by the general meeting of bondholders on February 18, 2010 and by the combined shareholders' meeting on March 19, 2010 became effective on July 20, 2010, and the change in the ratio for conversion of the OCEANEs for shares became effective on July 21, 2010.

The consequences in the consolidated financial statements are presented in paragraph 10 "Impact of the transaction on the accounts" (page 55) in the Securities Note approved by the AMF under number 10-198 published by the Group in June 2010 and available on its website [www.theolia.com](http://www.theolia.com).

In addition, it is noted that the last known market price of the convertible bond before its restructuring is €12.20 (July 21, 2010).

### **2. New organization of the Board of Directors**

#### **2.1 A new Chairman of the Board of Directors**

At its meeting of July 26, 2010, the Board of Directors noted the decision of Eric Peugeot, Chairman, and a member of the THEOLIA Board, to submit his resignation from all his duties as he considered that his task was finished as the company had regained its ability to create value.

Michel Meeus was elected Chairman of the Board of Directors to replace Eric Peugeot, and Jean-Pierre Mattei was elected Vice Chairman of the Board of Directors.

## **2.2 Co-opting of a new Director**

On the recommendation of the new Chairman, the Board of Directors co-opted David Fitoussi as a member of the Board on July 26, 2010.

## **2.3 Reorganization of the Board of Directors**

A new organization adapted to the next phases was established by the Board of Directors on July 26, 2010:

- The Nominations and Remuneration Committee is now composed of Philippe Dominati (Chairman), Michel Meeus and George Hersbach,
- The members of the Audit Committee are David Fitoussi (Chairman), Jean-Pierre Mattei and Philippe Dominati,
- The Strategic Committee was eliminated; Management will define and develop the Company's strategy, which will first be approved by the Board.

At the same time, the position of Executive Vice President was eliminated: Jean-François Azam was named THEOLIA Industrial Director, responsible for implementing the industrial policy of the Company. He previously held the position of Chief Operating Officer. François Rivière left his position as Chief Financial Officer. Fady Khallouf is temporarily responsible for the financial management of the Company. The departure of François Rivière involved a financial transaction.

## **3. Litigation**

Following the closing date of the financial statements, Windreich AG, a company represented by Willi Balz, undertook legal action against the Group seeking (i) commissions and (ii) indemnities in application of a service contract for the sale of wind farms of THEOLIA Naturenergien GmbH.

Today, the Group does not consider it necessary to record a provision as a result of this legal action.

**Note 22. List of the Group companies consolidated over the period**

Company	% interest	% control	Consolidation method	Country	Activity
SA THEOLIA	100.00%	100.00%	Full consolidation	Parent	Holding Company
THEOLIA DEUTSCHLAND GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
SERES ENVIRONNEMENT	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
THERBIO	99.99%	99.99%	Full consolidation	France	Non-Wind Activities
ECOVAL 30 SA	97.66%	97.67%	Full consolidation	France	Non-Wind Activities
NEMEAU SAS	99.99%	100.00%	Full consolidation	France	Non-Wind Activities
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development Construction Sale
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA FRANCE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
CS2M	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
SAEE	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
SAPE	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity method	Spain	Development Construction Sale

Company	% interest	% control	Consolidation method	Country	Activity
PESA	100.00%	100.00%	Full consolidation	Spain	Development Construction Sale
THEOLIA NATURENERGIEN HOLDING Gmbh	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
THEOLIA NATURENERGIEN Gmbh	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
LES 4E	100.00%	100.00%	Full consolidation	France	Development Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00%	100.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA BRASIL	100.00%	100.00%	Full consolidation	Brazil	Development Construction Sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATENCO WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
SOLARKRAFTWERK MERZIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-Wind Activities
WP TUCHEN RECKENTHIN INVESTITIONS GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
WINDPARK RABENAU GmbH	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Greece	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	48.00%	Equity method	Equity method	Development Construction Sale
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOWATT	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA CEE GmbH	100.00%	100.00%	Full consolidation	Austria	Development Construction Sale
THEOLIA EMERGING MARKETS	95.23%	95.23%	Full consolidation	Morocco	Corporate
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
NATENCO WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
FALKENWALD R.E.W. GmbH & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
Maestrale Green Energy Srl	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Maestrale Project Holding SA	50.32%	50.32%	Full consolidation	Italy	Development Construction Sale
Neo Anemos Srl (Martignano 21 MW)	47.81%	95.00%	Full consolidation	Italy	Development Construction Sale



Company	% interest	% control	Consolidation method	Country	Activity
MGE Giunchetto Wind Park SA	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Aerochetto Srl (Giunchetto 29.75 MW)	51.00%	51.00%	Proportional consolidation	Italy	Development Construction Sale
THEOLIA MAROC	95.23%	95.23%	Full consolidation	Morocco	Development Construction Sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development Construction Sale
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP MUEHLANGER GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WINDREAM ONE	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ECOLUTIONS	33.53%	33.53%	Equity method	Equity method	Non-Wind Activities
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development Construction Sale
GARBINO EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC VESAIGNES	100.00%	100.00%	Full consolidation	France	Sale of electricity
TANGER MED WIND SA	95.14%	95.14%	Full consolidation	Morocco	Development Construction Sale
THEOLIA MAROC SERVICES SA	95.14%	95.14%	Full consolidation	Morocco	Development Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	50.00%	50.00%	Equity method	India	Development Construction Sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
Centrale éolienne Bois Des Plaines (CEBDP)	100.00%	100.00%	Full consolidation	France	Development Construction Sale
Centrale éolienne La Haute Borne (CEHAB)	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Company	% interest	% control	Consolidation method	Country	Activity
WP Kreuzbuche Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SERES MAGHREB	100.00%	100.00%	Full consolidation	France	Non-Wind Activities
SERES CHINA	50.00%	50.00%	Equity method	France	Non-Wind Activities
SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CEBRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00%	50.00%	Equity method	Equity method	Development Construction Sale
NATURSTROMNETZ Gmbh ME	43.81%	43.81%	Equity method	Germany	Sale of electricity
WP WALTROP Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ROTHENKOPF GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KEFENROD GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	52.00%	100.00%	Full consolidation	Germany	Sale of electricity
COLONNE D ERCOLE SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
WP KRUSEMARK GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CENTRALE EOLIENNE LES HAUTS VAUDOIS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOLIENNE DE CHEMIN PERRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale

### Newly consolidated companies

Company	% interest	% control	Consolidation method	Country	Activity
VIBINUM	100.00	100.00	Full consolidation	Italy	Development Construction Sale

### Deconsolidated companies

Company	% interest	% control	Consolidation method	Country	Activity
WINDPARK ALSLEBEN I GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
MPH 1 SA (Giuggianello 28 MW)	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale

# Statutory auditors' report on the 2010 half year financial information

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## **THEOLIA**

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### **Statutory auditors' report on the 2010 half-year financial information**

For the period January 1, 2010 to June 30, 2010

*This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meeting and pursuant to Article L.451-1-2 of the French Monetary and Financial Code (*Code Monétaire et Financier*), we hereby report to you on:

- the limited review of the accompanying condensed consolidated financial statements of THEOLIA for the half-year ended June 30, 2010;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of your Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

## **1. Conclusion on the financial statements**

We conducted our limited review in accordance with professional practice standards applicable in France. A limited review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional practice standards applicable in France. Consequently, the level of assurance we obtained about whether the condensed half-year consolidated financial statements taken as a whole are free of material misstatements is moderate, and lower than that obtained in an audit.

Based on our limited review, no material misstatement has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared in accordance with IAS 34 of the IFRS, as adopted in the European Union with respect to interim financial reporting.

Without calling the above conclusion into question, we draw your attention to the “Accounting policies” note to the financial statements, which outlines the changes in accounting methods arising from the application, as from January 1, 2010, of new standards and interpretations.

## **2. Specific verification**

We have also verified the information given in the half-year management report commenting on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Marseille, September 2, 2010

The Statutory Auditors

French original signed by

**Coexcom**

**Frédéric DUCHEMIN**

**Deloitte & Associés**

**Christophe PERRAU**