theolia

Press release

Aix en Provence, April 18, 2011

Reignited development and reasonable investment policy

- Reduction of net financial debt by 158.5 million euros
- Cash position of 110.5 million euros ensures implementation of backlog
- Establishment of an investment vehicle to accelerate development will reinforce future growth

(in million euros)	**12/31/2010**	**12/31/2009 restated (3)**	**12/31/2009 reported**
Revenue (1)	154.5	294.4	328.6
EBITDA (2)	3.4	45.5	49.6
Current operating income	(19.7)	23.4	27.8
Operating income	(34.5)	26.0	32.2
Financial income	45.6	(30.8)	(30.8)
Net income	5.0	(25.2)	(21.1)

(1) Following the application of the IAS 8 standard, restatement of revenue generated from the sale of electricity from wind farms owned by third parties who have contracts offering no guaranteed margins (see Note 1 of this press release).
(2) EBITDA = current operating income + amortization + non operational risk provisions.
(3) Following the application of the IAS 8 standard, restatement following the correction of an error (see Note 1 of this press release).

Fady Khallouf, CEO of THEOLIA, stated: "*The past difficulties continue to impact our financial statements. In 2010, the Company successfully completed a significant financial restructuring including the renegotiation of its convertible bond that led to an exceptional net financial income of 75 million euros, and a capital increase. Since then, the Company has been committed to reinvigorating its development and to continuing its clean up. At the same time, the implementation of a co-investment strategy, based on the long term, is moving forward. The goal is to attain the scale necessary to ensure the Group's profitability and to benefit from our position and the expertise of our teams in a growth sector.*"

1 Financial restructuring of the Company

During the year THEOLIA completed a significant financial restructuring including the renegotiation of its convertible bond and a capital increase of 60.5 million euros.

This transaction has enabled THEOLIA:

- to reduce its financial debt by 142.4 million euros between December 31, 2009 and December 31, 2010, and
- to increase its cash position by 16.1 million euros between December 31, 2009 and December 31, 2010.

The bondholders' ability to request an early redemption of their bonds has been extended from January 1, 2012 to January 1, 2015.

The bonds that have been converted since the adoption of the new terms of the convertible bond (1,381,945 OCEANEs to date) have enabled a reduction by 21.1 million euros of the maximum amount to be reimbursed in case of redemption requests from all the bondholders on January 1, 2015. To date, the maximum amount to be reimbursed would be 155.3 million euros.

The Group's overall financial position has improved significantly and the financial debt will continue to decrease in line with future bond conversions.

2 Reinvigoration of operational activity

Through the financial restructuring, completed in July 2010, the Group has regained the flexibility necessary to reignite its development.

The significant plan of disposals carried out in 2009 and the first half of 2010, in order to reestablish the Group's cash position, had reduced the Group's operational capacity by 204 MW and its pipeline of projects by 90 MW.

In addition, the financial difficulties encountered by the Group between mid 2008 and mid 2010 did not allow for the development of the pipeline and reduced the access to project financing of the backlog projects.

The Group's new financial position has allowed for a reduction in the pace of disposals during the second half. As of December 31, 2010, the total installed capacity operated by the Group is 869 MW, of which 283 MW for own account and 586 MW for third parties.

At the same time, the Group has pursued its investments at a sustained pace, but with a prudent and rigorous approach. In 2010, 41.8 million euros have thus been invested in wind projects under development, notably in Italy, Germany and France.

An active management of the pipeline of projects has been reinitiated and a number of operational achievements were recorded during the second half, notably:

- the commissioning of the Giunchetto wind farm in Italy, with a net capacity of 15 MW for the Group,
- the entry into the construction phase of the Gargouilles wind farm in France, with a capacity of 18.4 MW for own account,
- the receipt of a construction permit free of third party claims for a 12 MW wind farm in France, and
- the confirmation of the validity of the construction permit for the Giuggianello wind farm in Italy, with a capacity of 24 MW, which was previously subject to a third party claim.

Since 2011, the Group has also:

- secured project financing for the Gargouilles wind farm in France,
- continued the construction works on this same project with the staggered arrival of the wind turbines on the site in April, and
- initiated the wind turbine selection process for the Magremont wind farm in France, with a capacity of 15 MW.

The Group is focused on the completion of the projects that have secured construction permits and display profitability rates that correspond to the investment criteria that the Group has set. The goal is twofold:

- to accelerate future commissionings in order to reinforce its operational positions in the Group's four main countries: France, Germany, Italy and Morocco, and
- to optimize the allocation of its equity.

At the same time, the Group is committed to improving its performance, notably by:

- cleaning up its remaining non-wind stakes to later close or sell them,
- the intended exit from the partnership in India that is unfavorable to the Group in its current form,
- the continuation of the drastic policy to reduce costs applied to all of the subsidiaries,
- an optimized cash management, and
- the development of industrial synergies among its different locations.

Lastly, the Group continues to focus on the implementation of its co-investment strategy through the establishment of an investment vehicle. The goal is to bring additional financial means to the Group to enable an even faster future growth. The work so far accomplished has enabled the Group to further discussions with top tier investors in view of a long lasting partnership.

3 Past difficulties' main impacts on the 2010 results

Despite all the efforts undertaken for the turnaround of the Company since the second half of 2010, the consolidated financial statements were still impacted by certain difficulties related to the Group's past.

The reduction in the installed capacity following the disposals carried out in 2009 and the beginning of 2010 reduced the operational performance of the activity Sale of electricity for own account.

The main disposal of the year, having occurred prior to the financial restructuring, was not completed under favorable conditions for the Group and recorded only a very weak margin.

A significant analysis has been carried out on the main subsidiary of the Group, THEOLIA Naturenergien, in Germany. The conclusions mainly relate to the activity of operating wind farms for third parties and the appraisal of the subsidiary's value.

In particular, the Group has identified a significant risk of non collection on certain old debts related to the Operation activity. As of June 30, 2010, a provision for 3.6 million euros had been recorded for these debts. A more detailed analysis has led to an additional provision of 5.4 million euros as of December 31, 2010, for an overall provision of 9 million euros over the period.

The Group has taken a provision for future losses related to older contracts for the management of wind farms for third parties, in the amount of 4.7 million euros. The analysis led by the Group illustrated that the production level of the wind farms in question will very likely not be in line with the revenues guaranteed by these contracts.

In addition, the Group has accounted for a depreciation of 11 million euros on the goodwill in the activity Development, construction, sale in Germany. In fact, the Group has downgraded the wind farm sales targets in Germany in the "trading" activity, historical activity of THEOLIA Naturenergien, to levels that better correspond to market conditions. The valuation using discounted future cash flows illustrated an impairment on the goodwill initially recorded.

Finally, the recording of an expense related to the transactional agreement executed with two members of the former management for an amount of 1.4 million euros in the context of their lawsuit against the Company also impacted the 2010 results.

These negative impacts having been compensated by an exceptional income of 75 million euros (net of expenses) related to the derecognition of the convertible bond following the revision of the terms of the issuing contract, the consolidated net income yields a profit of 5 million euros.

4 Financial review

Please note that the revenue figures published for 2009 and 2010 have been restated for the revenue coming from the sale of electricity from wind farms owned by third parties who have contracts offering no margin guarantees. In 2010, the reported revenue from the Operation activity has been reduced by 33.3 million euros and the published revenue from the Operation activity in 2009 has been reduced by 34.2 million euros (see Note 1 of this pres release).

In addition, the reported 2009 financial statements have been restated in line with the IAS 8 standard following the derecognition of the assets sold over 2009 and before, having an impact on the balance sheet and income statement reported as of December 31, 2009 (see Note 1 of this press release).

The Board of Directors, having met on April 18, 2011, approved the 2010 consolidated financial statements, prepared in accordance with the internationally accepted IFRS standards, after having received confirmation from its statutory auditors that the audit procedures had been carried out and that the approval certificate was in the process of being issued.

CONSOLIDATED INCOME STATEMENT

The **consolidated revenue** amounts to 154.5 million euros for 2010, representing a decrease of 48%. This decrease reflects the change in the Group's situation. The significant plan of disposals of 234 MW of wind farms and projects, carried out in 2009 to reestablish the Group's cash position, had contributed greatly to the revenue of the Development, construction, sale activity. In 2010, the Group sold only 72 MW.

The breakdown of revenue by activity is as follows:

	WIND ACTIVITIES			Non-wind activity	Consolidated total[1]
(in million euros)	Sale of electricity for own account	Development, construction, sale	Operation		
2010	37.5	110.6	5.0	1.4	154.5
2009	51.9	236.5	4.3	1.7	294.4
Change	- 28%	- 53%	+ 16%	- 18%	- 48%

(1) The Corporate sector does not generate revenue and is thus not illustrated in this table.

The Group's consolidated EBITDA amounts to 3.4 million euros in 2010, versus 45.5 million euros in 2009. The breakdown by activity is listed below:

	WIND ACTIVITIES			Non-wind activities [1]	Corporate	Consolidated total
(in millions euros)	Sale of electricity for own account	Development, construction, sale	Operation			
2010	24.7	(5.8)	(12.9)	1.5	(4.1)	3.4
2009	35.2	(6.7)	(1.0)	0.9	17.1	45.5
Change	- 30 %	+ 13 %	- 1 190 %	+ 88 %	- 124 %	- 93 %

As a reminder, the consolidated EBITDA recorded in 2009 benefitted from the positive effect of the reversal of two significant provisions in the Corporate activity for a cumulative amount of 25 million euros.

The Group's EBITDA in 2010 was led by the Sale of electricity for own account activity, that registered a margin of 66% of revenue.

This indicator was nonetheless impacted by four negative factors:

- the drop in EBITDA from the Sale of electricity for own account activity, mainly due to the disposals of wind farms carried out in 2009 and the beginning of 2010 that reduced the Group's installed capacity for own account;
- the absence of sufficient margins in the Development, construction, sale activity to absorb the structure costs;
- the provision for old debts related to the Operation activity for an amount of 9 million euros, the Group taking into consideration a risk of non collection; and
- the negative impact from the sale of a 39% stake of the Italian wind farm Giunchetto for an amount of 3.1 million euros, notably due to the partial derecognition of the goodwill related to this wind farm.

The **Group's operational income** establishes a loss of 34.5 million euros in 2010, versus a positive income of 26 million euros in 2009.

The depreciations recorded by geographic zone in 2010 break down as follows (in millions of euros):

- Germany (12.9)
- France (0.6)
- rest of the world (3.4)

The Group also provisioned the future losses related to the older contracts for the management of wind farms for third parties, offering revenue guarantees, for an amount of 4.7 million euros and recorded in "Other income and non-current expenses" an expense related to the transactional agreement executed with the former management for an amount of 1.4 million euros.

Lastly, the Group accounted for the following provisions for a cumulative amount of 13 million euros (in million euros):

goodwill impairment in Germany	(11.0)
goodwill impairment in Italy	(0.6)
impairment on projects included in the pipeline in France	(1.8)
asset impairments in Germany	(0.7)
various reversals	1.1

The Group's **financial income** is 45.6 million euros in 2010, made up essentially of (in million euros):

a profit from the derecognition of the convertible bond	80.7
fees related to the restructuring of the convertible bond	(5.7)
the annual interest expense of the convertible bond	(13.9)
an interest expense related to operating wind farm loans	(8.2)
the change in the fair value of the SWAPs	(2.5)

In all, the **net income** of the consolidated entity for the full year 2010 is a profit of 5 million euros, versus a loss of 25.2 million euros in 2009.

DEBT AND CASH POSITION

The net debt, declining by 158.5 million euros, went from 396.1 million euros as of December 31, 2009 to 237.6 million euros as of December 31, 2010, mainly due to the financial restructuring completed in July 2010.

(in million euros)	**12/31/2010**	**12/31/2009**
Financial debt	(222.1)	(267.2)
Of which project financing	*(210.5)*	*(238.7)*
Convertible bond (1)	(117.5)	(218.7)
Other financial liabilities	(8.4)	(4.5)
Of which financial instruments or SWAPs	*(6.0)*	*(4.5)*
Current financial assets	0.1	0.2
Cash and cash equivalents	110.4	9.2
Net financial debt	(237.5)	(396.1)

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

The Group's net cash position increased by 16.1 million euros over the year, notably following the capital increase completed in July 2010.

The cash position breaks down as follows:

(in million euros)	**12/31/2010**	**12/31/2009**
Pledged cash	23.6	24.9
Reserved cash for SPV (1)	17.7	16.5
Free cash	69.2	52.8
Total net cash and cash equivalents	110.4	94.2

(1) SPV: special purpose vehicle.

FOR MORE INFORMATION

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Note 1: Application of the IAS standard

1. Presentation of revenue

Previously, the production of electricity from wind farms managed for third parties had been recorded as revenue based on the volume produced over the period. It had been incorrectly assumed that the Group was not acting as agent in these transactions, especially because the contract for the sale of electricity to the grid operator had been set up between the Group and the end client and did not involve the owner of the asset managed by the Group.

During 2010 an in-depth review of these cases and the contracts between the German subsidiary in question and its clients has been carried out by the Group, notably in reference to paragraph 21 of the Notes of the IAS 18 standard added by the IASB in 2009.

On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

2. Intangible assets

Upon the acquisition of the company Ventura (since renamed THEOLIA France) in 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the takeover date, the total number of MW evaluated was equal to 104 MW. During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. During the efforts to close the 2010 financial accounts, a recording error had been identified. Following these transactions, the related assets should have been derecognized and should have an impact on the results from the disposal of these projects, or should have been amortized. This leads to a restatement of the comparative information related to the period ending December 31, 2009 in application of the IAS 8 standard “Accounting policies, changes of accounting estimates and errors”.

The table below provides a summary of the impact on the income statement and balance sheet (in thousands of euros):

	12/31/2009 Reported	Restated revenue	Correction of intangible assets	12/31/2009 Restated
Revenue	**328,593**	**(34,213)**		**294,380**
Purchases and changes in inventory	(255,367)	34,213	(4,132)	(225,286)
Amortization	(21,493)		(310)	(21,803)
Current operating income	**27,811**	-	**(4,442)**	**23,369**
Other income and non-current expenses	(140)		(1,716)	(1,856)
Operating income before impairments	**27,671**	-	**(6,158)**	**21,513**
OPERATING INCOME (after impairments)	**32,180**	-	**(6,158)**	**26,022**
Tax expenses	437		2,083	2,520
NET INCOME of consolidated entity	**(21,101)**	-	**(4,075)**	**(25,176)**
Group share	(20,765)		(4,075)	(24,840)
From minority interests	(334)			(335)
Income per share of entire entity (in euros)	(0.52)			(0.62)
Diluted income per share of consolidated entity (in euros)	(0.49)			(0.59)

ASSETS	12/31/2009 Reported	Correction of intangible assets	12/31/2009 Restated
Intangible assets	99,883	(8,360)	91,523
Non-current assets	**520,123**	**(8,360)**	**511,763**
Current assets	**206,574**	**-**	**206,574**
TOTAL ASSETS	**743,769**	**(8,360)**	**735,409**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other reserves	(176,201)	(1,457)	(177,658)
Net income, Group share	(20,765)	(4,075)	(24,840)
Shareholders' equity- Group share	**150,475**	**(5,532)**	**144,943**
Shareholders' equity	**148,652**	**(5,532)**	**143,120**
Deferred tax liabilities	25,003	(2,828)	22,175
Non-current liabilities	**406,261**	**(2,828)**	**403,433**
Current liabilities	**177,818**	**-**	**177,818**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**743,769**	**(8,360)**	**735,409**

Note 2: Consolidated financial statements at December 31, 2010

Balance sheet
(in thousand euros)

ASSETS		12/31/2010	12/31/2009	01/01/2009
	Goodwill	71,138	79,460	78,084
	Intangibles assets	90,294	91,523	92,260
	Property, plant and equipment	278,790	311,858	341,678
	Equity interests	10,466	10,915	21,729
	Other non-recurrent financial assets	11,016	9,867	10,458
	Deferred taxes assets	30,144	8,140	9,483
Non-current assets		**491,848**	**511,763**	**553,692**
	Inventory	19,805	51,814	169,923
	Trade receivables	30,833	32,492	24,885
	Other current assets	19,827	22,623	53,900
	Tax debt on income	5,687	5,222	3,475
	Current share of financial assets	106	236	296
	Cash and cash equivalents	110,432	94,187	90,823
Current assets		**186,690**	**206,574**	**343,302**
	Assets related to discontinued activities	13,201	17,072	19,817
TOTAL ASSETS		**691,739**	**735,409**	**916,811**
LIABILITIES AND SHAREHOLDERS' EQUITY				
	Share capital	110,293	39,895	39,747
	Issue premiums	304,947	307,546	307,695
	Other reserves	(198,829)	(177,658)	65,897
	Net income, Group share	5,857	(24,840)	(244,454)
	Shareholders' equity- Group share	**222,268**	**144,943**	**168,885**
	Minority interests	(2,261)	(1,823)	(1,489)
Shareholders' equity		**220,007**	**143,120**	**167,396**
	Non-current financial liabilities	255,424	366,179	442,582
	Provisions, non-current share	18,316	14,439	4,955
	Staff benefits	129	79	61
	Deferred tax liabilities	43,122	22,175	21,393
	Other non-current liabilities	8,060	561	561
Non-current liabilities		**325,051**	**403,433**	**469,552**
	Current financial liabilities	92,683	124,302	146,666
	Provisions, current share	597	-	16
	Suppliers and other current liabilities	35,299	41,285	103,228
	Tax and social debts	7,313	10,715	14,352
	Tax debt on the companies	1,062	1,516	2,480
Current liabilities		**136,954**	**177,818**	**266,742**
	Liabilities related to discontinued activities	9,727	11,038	13,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**691,739**	**735,409**	**916,811**

Income statement
(in thousand euros)

	12/31/2010	12/31/2009
Revenue	**154,542**	**294,380**
Purchases and changes in inventory	(101,405)	(225,286)
External expenses	(25,360)	(33,613)
Taxes and duties	(1,090)	(1,215)
Personnel expenses	(11,690)	(11,714)
Amortization	(17,066)	(21,803)
Provisions	(16,534)	22,939
Other operating income and expenses	(1,075)	(319)
Current operating income	**(19,678)**	**23,369**
Other current income and expenses	(1,807)	(1,856)
Operating income before impairments	**(21,485)**	**21,513**
Impairments	(12,998)	4,509
OPERATING INCOME (after impairments)	**(34,483)**	**26,022**
Cost of net debt	**(24,095)**	**(28,530)**
Other financial income	83,416	2,685
Other financial income	(13,695)	(4,964)
Financial income	**45,626**	**(30,809)**
Share in income of related companies	(180)	(13,470)
Tax expense	(4,490)	2,520
Net income of continued activities	**6,473**	**(15,737)**
Net after tax income of discontinued activities	(1,480)	(9,439)
NET INCOME of consolidated entity	**4,993**	**(25,176)**
Group share	5,857	(24,840)
From minority interests	(865)	(335)
Income per share of consolidated entity (in euros)	0.08	(0.62)
Diluted income per share of consolidated entity (in euros)	0.08	(0.59)

	12/31/2010	12/31/2009
Net income	**4,993**	**(25,176)**
Exchange differences	78	(125)
Total recorded income and expenses	**78**	**(125)**
OVERALL INCOME	**5,071**	**(25,302)**
Income per share of consolidated entity (in euros)	0.07	(0.63)
Diluted income per share of consolidated total (in euros)	0.03	(0.51)

Cash flow statement
(in thousand euros)

	12/31/2010	12/31/2009
Total net income of consolidated companies	**4,993**	**(25,175)**
Income from discontinued activities	1,480	9,439
Elimination of amortization, depreciation and provisions	36,815	18,962
Elimination of change in deferred taxes	4,523	(2,508)
Elimination capital gains/losses from disposals	(510)	6,139
Elimination of income share from equity	180	13,470
Financial expenses	23,468	30,318
Other income & expenses with no effect on cash	(58,899)	2,733
Gross self-financing margin (A)	**12,051**	**53,377**
Effect of WCR change related to activity (B)	33,879	54,280
Corporate tax paid (C)	(2,575)	(1,370)
Flows related to discontinued activities (D)	(1,804)	(2,902)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**41,551**	**103,385**
Acquisitions of fixed assets	(41,846)	(27,877)
Acquisition of financial assets	-	(80)
Disposals of fixed assets	1,666	9,239
Change in loans	10,092	26,304
Effect of subsidiary acquisitions net of acquired cash	(12,164)	(19,879)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(42,250)**	**(12,291)**
Dividends paid to minority shareholders	0	-
Treasury shares	-	(1)
Capital increase (decrease)	56,284	(0)
Loans and other debts	45,460	37,482
Reimbursement of loans and other debts	(70,630)	(110,325)
Interest paid	(14,448)	(14,904)
Financing operations with no effect on cash	69	24
NET FLOW GENERATED BY FINANCING ACTIVITIES (c)	**16,734**	**(87,724)**
Effect of changes in exchange rates	146	(8)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**16,180**	**3,361**
Net cash and cash equivalents- opening balance	94,180	90,819
Net cash and cash equivalents of discontinued activities- closing balance	-	-
Net cash and cash equivalents- closing balance*	110,360	94,180
CHANGE IN CASH AND CASH EQUIVALENTS	**16,180**	**3,361**
* Cash posted on balance sheet	110,432	94,187
Bank overdrafts	(72)	(7)
Net cash and cash equivalents- closing balance	***110,360***	***94,180***

Note 3: Table illustrating EBITDA to current operating income by activity

December 31, 2010

(in million euros)	Sale of electricity for own account	Development, construction, sale	Operation	Non wind activity	Corporate	Consolidated total
EBITDA [1]	**24.7**	**(5.8)**	**(12.9)**	**1.5**	**(4.1)**	**3.4**
Amortization for operating wind farms	(16.9)					(16.9)
Other amortization of assets		(2.4)		(0.7)		
Provisions for anticipated future losses related to former guaranteed contracts			(4.7)			(4.7)
Other provisions for risks		(0.6)		(2,6)	2.1	(1.1)
Current operating income	**10.3**	**(8.6)**	**(17.6)**	**(1.9)**	**(1.9)**	**(19.7)**

December 31, 2009 Restated

(in million euros)	Sale of electricity for own account	Development, construction, sale	Operation	Non wind activity	Corporate	Consolidated total
EBITDA [1]	**35.2**	**(6.7)**	**(1.0)**	**0.9**	**17.1**	**45.5**
Amortization for operating wind farms	(20.0)			(0.7)		(20.0)
Other provisions for risks				(1.0)		(1.0)
Current operating income	**14.9**	**(6.7)**	**(1.0)**	**(0.8)**	**17.0**	**23.4**