Press release

Aix en Provence, August 31, 2011

Strong improvement in profitability and speed-up in business development

- Strong increase in EBITDA to 7.6 million euros
- Operational profitability reached with operating income of 0.8 million euros
- Very good performance of the Sale of electricity for own account activity
- Speed-up in business development with the creation of the investment vehicle and the launch of a 300 MW wind project in Morocco

THEOLIA's consolidated financial statements for the first six months of 2011 were approved by THEOLIA's Board of Directors during its meeting on August 31, 2011, in the presence of the Statutory auditors.

It is noted that revenue for the two periods presented is not comparable due to the policy adopted by the Company since the second half of 2010 to reduce the pace of wind farm and project disposals.

(in thousands of euros)	**06/30/2011**	**06/30/2010** (1)
Revenue	27,394	99,016
EBITDA (2)	7,578	(1,449)
Operating income	758	(8,467)
Financial result	(6,688)	(19,119)
Net income of the consolidated Group	(6,861)	(28,515)

(1) In application of the IAS 8 standard, restatement of revenue generated from the sale of electricity from wind farms managed for third parties offering no guaranteed margins and restatement of some intangible assets in France (see note 2 of the notes to the consolidated half year summary financial statements in the 2011 half year financial report).
(2) EBITDA = current operating income + amortization + non operational risk provisions.

Fady Khallouf, Chief Executive Officer of THEOLIA, *stated: "THEOLIA's position has vastly improved between end-June 2010 and end-June 2011: we have increased the Group's installed capacity by 33 MW divided between Italy, France and Germany, and have implemented stringent cost and cash control measures. This came along with the reduction in the pace of wind farm disposals in order to favor revenue generated by the sale of electricity. The initial benefits of this strategy can already be seen in the half year accounts: EBITDA is ticking up, boosted by high and recurrent EBITDA in the Sale of electricity for own account activity.*

Moreover, the high number of bond conversions during the first half of 2011 decreased the level of convertible debt and its associated interest expense.

During the same period, we managed a return of THEOLIA to ambitious, but guarded, growth. We have thus signed an agreement with the ONE for the development and construction of a 300 MW wind farm in Morocco. We have also created an investment vehicle, THEOLIA Utilities Investment Company, which will generate additional financial means to further more accelerate our growth.

We are actively pursuing the preparation of the Group's future and we are confident in its growth prospects".

2 2011 first half results

CONSOLIDATED INCOME STATEMENT

- **Revenue**

Following the implementation of the adopted policy of reduction in the pace of wind farm disposals, the Group's consolidated revenue for the first half of 2011 amounts to 27.4 million euros. The breakdown by activity is as follows:

	WIND ACTIVITIES			Non-wind activity (1)	Consolidated total
(in thousands of euros)	Sale of electricity for own account	Development, construction, sale	Operation		
First half of 2011	21,803	1,742	2,996	852	27,394
First half of 2010	18,598	77,107	2,555	757	99,017
Change	+17%	-98%	+17%	+13%	-72%

(1) Excluding Environment activities.

The revenue from the **Sale of electricity for own account activity** is 21.8 million euros for the first half of 2011, compared to 18.6 million euros for the first half of 2010. This +17% growth reflects a part of the increase in installed capacity for own account over these two periods.

As of June 30, 2011, the installed capacity for own account amounts to 300 MW versus 267 MW as of June 30, 2010, an increase of 33 MW due to the commissionings realized over the last twelve months, of which mainly:

- the commissioning, in October 2010, of the Giunchetto wind farm in Italy, for a net capacity of 15 MW for the Group, and
- the commissioning, during the first quarter of 2011, of three wind farms in Germany, for a cumulative capacity of 8 MW.

The 9.2 MW commissioning, at the end of June 2011, of the first part of the Gargouilles wind farm in France and the coming commissioning of the second part of 9.2 MW will contribute to the growth in revenue from the second half of 2011.

The revenue from the **Development, construction, sale activity** amounts to 1.7 million euros for the first half of 2011, compared to 77.1 million euros for the first half of 2010. Following the implementation of the adopted policy of reduction in the pace of wind farm disposals, the Group did not sell any wind farms during the first half of 2011, while 60 MW were sold in the first half of 2010.

The revenue from the **Operation activity** amounts to 3 million euros for the first half of 2011, compared to 2.6 million euros for the first half of 2010, up by +17%. This growth is mainly due to the increase in capacity managed for third parties that rose from 518 MW as of June 30, 2010 to 586 MW as of June 30, 2011.

The **Non-wind activity** registers revenue of 852 thousand euros for the first half of 2011, produced by the solar park in Germany.

By concentrating on commissioning new wind farms, the Group increases by +17% its recurring revenue from the Sale of electricity for own account activity, benefitting from a dependable margin.

- **EBITDA**

The Group's consolidated EBITDA records a strong growth. It amounts to 7.6 million euros for the first half of 2011, compared to a loss of 1.5 million euros for the first half of 2010. The breakdown by activity is as follows:

	WIND ACTIVITIES			Non wind activity (1)	Corporate	Consolidated total
(in thousands of euros)	Sale of electricity for own account	Development, construction, sale	Operation			
First half of 2011	15,152	(6,480)	(354)	382	(1,122)	7,578
First half of 2010	11,985	(3,034)	(3,990)	486	(6,895)	(1,449)

(1) Excluding Environment activities.

EBITDA for the **Sale of electricity for own account activity** reaches 15.2 million euros in the first half of 2011, compared to 12 million euros in the first half of 2010. As the majority of operating expenses for this activity are fixed, the +17% increase in revenue implies a +26% improvement in EBITDA and a 5 point improvement in the EBITDA margin for this activity over the period.

EBITDA for the **Development, construction, sale activity** shows a loss of 6.5 million euros in the first half of 2011, compared to a loss of 3 million euros in the first half of 2010. Fixed costs in this activity were not offset by the sale of wind farms during the first half of 2011. Moreover during the first half of 2011, as part of a complete review of its pipeline of development projects, the Group has decreased the net value of some of its development projects accounted in inventories by 1.7 million euros in France and 0.4 million euros in Germany.

The **Operation activity** shows a marked improvement in EBITDA over the period. This activity registers an EBITDA loss of just 0.4 million euros despite being penalized by the accounting of a depreciation in trade receivables of 0.3 million euros in Germany. The increase in installed capacity managed for third parties allowed the Group to almost reach break even in this activity. In the first half of 2010, EBITDA for this activity showed a loss of 4 million euros, impacted by the accounting of risk provisions for clients in Germany for 3.6 million euros.

The **Non-wind activity** registers EBITDA of 0.4 million euros in the first half of 2011, compared to 0.5 million euros in the first half of 2010.

EBITDA from the **Corporate activity** shows a loss of 1.1 million euros in the first half of 2011, compared to a loss of 6.9 million euros in the first half of 2010. This clear improvement is due to the reduction in structural costs, staff costs and charges related to the grant of free shares.

The strong improvement in consolidated EBITDA is due to recent commissionings by the Group as well as a stringent management of all activities.

Operating income

The Group's operating income amounts to 0.8 million euros for the first half of 2011, compared to a loss of 8.5 million euros for the first half of 2010.

(in thousands of euros)	**06/30/2011**	**06/30/2010**
EBITDA	7,578	(1,449)
Net allocations to depreciation and amortization	*(6,222)*	*(5,173)*
Other non-current income and expense	*(357)*	*(270)*
Impairment	*(241)*	*(1,574)*
Operating income	758	(8,467)

The Group's operating income is in nature impacted by wind seasonality and wind farm disposals, and is thus not linear over the year.

Financial result

The Group's financial result represents a net expense of 6.7 million euros in the first half of 2011, compared to a net expense of 19.1 million euros in the first half of 2010. This significant decrease is illustrated in the table below:

(in thousands of euros)	**06/30/2011**	**06/30/2010**	**Change**
Interest expense related to the convertible bond	(1,681)	(7,551)	(5,870)
Interest expense related to loans of operational farms	(4,455)	(3,495)	+ 960
Change in the fair value of the interest rate risk hedging instruments	48	(4,519)	(4,567)
Financial expenses related to the sale of a wind farm during the first half of 2010	-	(2,600)	(2,600)
Others	(600)	(954)	(354)
Financial result	**(6,688)**	**(19,119)**	**(12,431)**

The interest expense related to the convertible bond (OCEANEs) has decreased markedly, notably due to a reduction in the loan after numerous bondholders converted their OCEANEs during the first half of 2011. The bond conversions that occurred during the first half of 2011 generated an interest expense reversal of 4.1 million euros.

The interest expense on loans held by wind farms in operation, as part of the Group's regular activities, has increased due to the commissioning of new wind farms during the period.

Changes in the fair value of derivatives were, as of June 30, 2010, recognized as financial expenses. As of January 1, 2011, the Group has opted for hedge accounting, as allowed under IFRS, and thus recognizes changes in the fair value of derivatives directly in shareholders' equity for the part deemed to correspond to the hedge.

- **Net income of the consolidated Group**

In total, the net income of the consolidated Group as of June 30, 2011 is a loss of 6.9 million euros, versus a loss of 28.5 million euros as of June 30, 2010.

DEBT AND CASH POSITION

The **net debt** went from 237.6 million euros as of December 31, 2010 to 230.6 million euros as of June 30, 2011 and breaks down as follows:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Financial debt	(214,339)	(222,123)
of which project financing	*(214,339)*	*(210,497)*
of which corporate lines of credit	-	*(11,626)*
Convertible bond	(97,580)	(117,506)
Other financial liabilities	(7,746)	(8,477)
of which financial instruments or SWAP	*(5,184)*	*(5,956)*
Current financial assets	402	106
Cash and cash equivalents	88,713	110,432
Net financial debt	(230,550)	(237,569)

Project financing debt that is non-recourse or with limited recourse to the parent company, registers an increase of 3.8 million euros during the first half of the year following the completion of wind farms during the period.

The corporate finance 11.6 million euro line of credit in Germany has been fully reimbursed.

As of June 30, 2011, the convertible bond had plummeted by 19.9 million euros to 97.6 million euros as in particular numerous bondholders converted their OCEANEs during the first half of 2011.

The **Group's net cash position** is high and amounts to 88.7 million euros as of June 30, 2011, after taking into account the reimbursement of a 11.6 million euro line of credit in Germany and investments in wind projects in France, Germany and Italy for an amount of 17 million euros.

The net cash position breaks down as follows:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Pledged cash	22,883	23,587
Reserved cash for SPV (1)	16,621	17,661
Free cash	49,209	69,184
Bank overdrafts	-	(71)
Net cash position	88,713	110,361

(1) SPV: special purpose vehicle.

2 Key highlights of the first half of 2011 and significant events after the date of closing of the half year accounts

Signing of an agreement with the Moroccan *Office National de l'Electricité* ("ONE") for the development and construction in common of a 300 MW wind farm in Morocco

Following an initial profitable partnership as part of the concession awarded by the ONE to the *Compagnie Eolienne du Détroit* ("CED"), a subsidiary of THEOLIA Group, for the operation of a 50.4 MW wind farm at Tetouan near Tangier, THEOLIA and the ONE signed, on May 31, 2011, an agreement for the development and construction in common of a wind project on the Tetouan site, which will be developed in two phases:

- the construction of 100 MW on the existing Koudia al Baïda site, through the replacing of the existing turbines with higher capacity turbines (repowering); and
- the construction of an additional 200 MW.

The launch of the first phase of construction is planned for June 2012.

In July 2011, the conception and engineering works started. Calls for tenders for construction works and turbine supply will be launched in the coming weeks.

Commissioning of the first part of the Gargouilles wind farm in France

The Gargouilles wind farm, with a total capacity of 18.4 MW, is located in the towns of Gommerville, Oysonville and Pussay, in the *Eure et Loir* department, in France.

Financing for the project was secured at end-January 2011 and construction continued during the first half of the year. The first part of the wind farm was commissioned at end-June 2011 and represents 9.2 MW of additional capacity for own account.

The construction of the second and final part of the wind farm, which will have a capacity of 9.2 MW, is underway. This part will be commissioned during the next few weeks.

Progress on Magremont project in France

The Magremont project, based in Naours and Beauval in the *Somme* department, has a construction permit free of third party claims for six wind turbines. At the beginning of August 2011, THEOLIA signed a contract to purchase turbines with a nominal capacity of 2.5 MW. The construction of this wind farm, which will have a total capacity of 15 MW, will begin in September 2011.

Creation of the investment vehicle THEOLIA Utilities Investment Company

In July 2011, THEOLIA and IWB Industrielle Werke Basel ("IWB"), electricity producer and distributor in Switzerland, announced entering into partnership to jointly invest in wind farms.

In August 2011, the two partners created THEOLIA Utilities Investment Company, an investment vehicle dedicated to invest in wind projects in France, Germany and Italy. This vehicle is set aside for utilities, producers and distributors of electricity, willing to commit themselves for the long term and sharing the same vision of the development potential of wind energy and the imminent rebalancing of the energy mix in favor of green energies.

With a final target of 100 million euros of equity invested, combined with project financing, the vehicle will be in a position to invest more than 300 million euros.

IWB is the first partner to join the vehicle with an interest of 30%. At the creation, THEOLIA holds 70% of THEOLIA Utilities Investment Company and its target is to hold a 40% interest at the end. Discussions are at final stage for the entry of new partners.

Significant bond conversions during the first half of 2011

Since new terms regarding OCEANEs became effective on July 20, 2010, many bondholders have chosen to convert their OCEANEs into shares.

Between July 20, 2010 and December 31, 2010, 1,102,070 OCEANEs (convertible bonds) have been converted, resulting in the creation of 9,521,016 new shares and reducing by 16.9 million euros the maximum amount to be reimbursed on January 1, 2015 in case of request.

Between January 1, 2011 and June 30, 2011, conversions have significantly accelerated: 1,976,986 OCEANEs have been converted, resulting in the creation of 17,081,158 new shares and reducing by 30.2 million euros the maximum amount to be reimbursed on January 1, 2015 in case of request.

As of June 30, 2011, 8,459,406 OCEANEs remain in circulation, which corresponds to a maximum reimbursement amount on January 1, 2015 in the case of a reimbursement request from all bondholders of 129.3 million euros.

On August 31, 2011, THEOLIA filed with the *Autorité des marchés financiers* (AMF) its 2011 half year financial report. It is available on the Company's website **www.theolia.com**, in the section "Finance – Results".

FOR MORE INFORMATION

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