



Press release

Aix en Provence, August 31, 2012

Another strong increase in operational performance

- Consolidated revenue: +31%
- Consolidated EBITDA ⁽¹⁾: +110%
- Operating income: +655%
- Decrease in financial debt of 12 million euros
- Total cash ⁽²⁾ of 81 million euros

Fady Khallouf, Chief Executive Officer of THEOLIA, stated:

“In the current unprecedented context of uncertainty and economic difficulty, THEOLIA is posting very good performance. After two years of effort, the Group is once again demonstrating the relevance of its strategy and business model. Our operations are now creating value.

Endowed with an investment vehicle, solid operating fundamentals and a healthy level of cash, THEOLIA is now ready to grow significantly.

Our organic development is secured by our portfolio of projects, the largest of which is our 300 MW project in Morocco. However, THEOLIA may also benefit from the current market environment to accelerate this growth, supported by the industrial platform it has created.”

(1) EBITDA = current operating income + allocations to amortization and to non-operational risk provisions.

(2) Including 5 million euros of cash reclassified as “Current financial assets”.

The Group's consolidated financial statements for the first six months of 2012 were approved by THEOLIA's Board of Directors during its meeting on August 30, 2012, in the presence of the Statutory auditors.

<i>(in thousand euros)</i>	First half of 2012 (*)	First half of 2011 (*)	First half of 2010 (**)
Revenue	35,821	27,394	99,016
EBITDA	15,899	7,578	(1,449)
Current operating income	6,964	1,356	(6,623)
Operating income	5,630	746	(8,467)
Financial income	(14,244)	(6,688)	(19,119)
Net income of the consolidated Group	(10,291)	(6,861)	(28,515)

(*) The first halves of 2011 and 2012 were periods in which comparable operational strategies were implemented.

(**) The first half of 2010 preceded the redefinition of the operational strategy, which occurred in June 2010. It specifically includes significant sales of operating wind farms. It is interesting, however, to compare it as a measurement of the Company's performance.

1 Key highlights of the first half of 2012

Progress on the first phase of the 300 MW wind farm project in Morocco

In 2011, THEOLIA and the Moroccan *Office National de l'Electricité* (ONE) signed an agreement for the joint development and construction of a 300 MW wind farm, which will be developed in two phases:

- the construction of 100 MW on the existing Koudia al Baida site; and
- the construction of an additional 200 MW.

After completion of conception and engineering works, THEOLIA and the ONE jointly launched, in April 2012, the call for tenders to choose suppliers and contractors for the construction of the first phase of the wind project. This first phase is a repowering operation that will bring the installed capacity of the Koudia al Baida wind farm from 50 to 100 MW.

Tenders from potential suppliers are expected by the end of September 2012.

Ongoing construction of 3 wind farms

During the first half of 2012, THEOLIA continued its construction work on three wind farms, which it had started in 2011:

- a 10 MW wind farm built for the account of the Group in Italy;
- a 15 MW wind farm built in France on behalf of the investment vehicle THEOLIA Utilities Investment Company; and
- a 12.5 MW wind farm built for a third party in France.

Appointment of a new director

The ordinary and extraordinary shareholders' meeting held on June 1, 2012 appointed Mrs. Lilia Jolibois as an independent director of THEOLIA.

This appointment was made following the resignation of Mr. Jean-Pierre Mattéi from his position as director and upon expiration of the term of office of Mr. Georgius Hersbach.

At the conclusion of this shareholders' meeting, THEOLIA's Board of directors had four members.

2 The Group's business activity over the first half of 2012

CONSOLIDATED INCOME STATEMENT

- Revenue

The Group's consolidated revenue for the first half of 2012 amounted to 35.8 million euros, up by +31% compared to the first half of 2011, driven by the Group's main activities. Its breakdown by activity for the two half-year periods is as follows:

<i>(in thousand euros)</i>	Wind activities			Non-wind activity ⁽¹⁾	Consolidated total ⁽¹⁾
	Sales of electricity for own account	Operation	Development, construction, sale		
First half of 2012	26,318	3,447	5,319	736	35,821
First half of 2011	21,803	2,996	1,742	852	27,394
Change	+21%	+15%	+205%	-14%	+31%

(1) Excluding Environment activities.

Revenue for the **Sales of electricity for own account** activity reached 26.3 million euros for the first half of 2012, an increase of +21% compared to the first half of 2011. This strong growth is the result of a positive scope effect and an improvement in production conditions, particularly over the first quarter.

As of June 30, 2012, the Group's installed capacities for own account reached 304 MW, compared to 300 MW as of June 30, 2011. Changes between the two periods include the commissioning, during the second half of 2011, of the second part of the Gargouilles wind farm in France for a capacity of 9.2 MW, compensated by the sale of a cumulative 6.3 MW capacity in Germany as for trading activity.

Producing wind electricity in four countries benefitting from different wind conditions enables the Group to smooth the impact of local seasonality and to compensate for potential fluctuations in wind conditions in one country.

Revenue for the **Operation** activity amounted to 3.4 million euros for the first half of 2012, an increase by +15% compared to the first half of 2011. The Operation activity mainly benefitted from an improvement in production conditions in Germany.

As of June 30, 2012, capacities managed for third parties reached 599 MW, compared to 586 MW as of June 30, 2011.

Revenue for the **Development, construction, sale** activity came to 5.3 million euros for the first half of 2012, compared to 1.7 million euros for the first half of 2011. Over the first half of 2012, THEOLIA sold two operating wind farms in Germany for a cumulative capacity of 2.3 MW as for trading activity, and registered construction services for third parties in France.

The **Non-wind activity** registered revenue of 736 thousand euros for the first half of 2012, produced by the solar park in Germany.

The strategy implemented by THEOLIA since June 2010 favors the Sales of electricity for own account activity which relies on 15- to 20-year contracts of sale of electricity and thus benefits from a predictable and recurring revenue, as well as from significant margins over the long term. For the first half of 2012, this secured activity which represents almost 74% of consolidated revenue, is up by +21% compared to the first half of 2011.

- **EBITDA**

The Group's consolidated EBITDA more than doubled during the period, reaching 15.9 million euros in the first half of 2012, compared to 7.6 million euros for the first half of 2011. Its breakdown by activity during the two half-year periods is as follows:

<i>(in thousands of euros)</i>	Wind activities			Non-wind activity	Corporate	Consolidated total
	Sales of electricity for own account	Operation	Development, construction, sale			
First half of 2012	19,344	1,021	(4,830)	675	(310)	15,899
First half of 2011	15,152	(354)	(6,480)	382	(1,122)	7,578

EBITDA for the **Sales of electricity for own account** activity continued its significant growth. As the majority of operating expenses for this activity are fixed, the +21% increase in revenue implies a +28% improvement in EBITDA. The EBITDA margin for this activity totaled 74% for the first half of 2012. It was 69% for the first half of 2011 and 64% for the first half of 2010.

For the first half of 2012, EBITDA for the **Operation** activity totaled 1 million euros, while it posted a loss of 0.4 million euros for the first half of 2011.

EBITDA for the **Development, construction, sale** activity improved during the first half of the year. Margins on the disposals of wind farms in Germany and on construction services in France partially offset development costs. The EBITDA for this activity was nevertheless negatively affected by the depreciation of the value accounted in inventories for some of its development projects, totaling 0.8 million euros in the first half of 2012, compared to 2.1 million euros in the first half of 2011.

The **Non-wind activity** registered an EBITDA of 0.7 million euros in the first half of 2012, compared to 0.4 million euros in the first half of 2011.

EBITDA for the **Corporate** activity showed a loss of 0.3 million euros in the first half of 2012, compared to a loss of 1.1 million euros in the first half of 2011. The Group keeps reducing its structural and staff costs.

EBITDA for all of the Group's activities increased significantly. The growth in THEOLIA's activities continued, while costs were constant, confirming the improvement in the Group's operating fundamentals.

- **Operating income**

Despite the increased depreciation, the Group's consolidated operating income rose by a factor of 7.5 between the first half of 2011 and the first half of 2012. It totaled 5.6 million euros in the first half of 2012, compared to 0.7 million euros in the first half of 2011.

The following table shows the bridge between EBITDA and operating income for the two half-year periods:

<i>(in thousand euros)</i>	First half of 2012	First half of 2011
EBITDA	15,899	7,578
Net allocations to amortization and to non-operational risk provisions	(8,935)	(6,222)
Impairment	(841)	(241)
Others	(493)	(369)
Operating income	5,630	746

- **Financial income**

The Group's financial income represented a net expense of 14.2 million euros in the first half of 2012, compared to a net expense of 6.7 million euros in the first half of 2011.

<i>(in thousand euros)</i>	First half of 2012	First half of 2011
Interest expense related to the convertible bond	(6,545)	(1,994)
Interest expense related to project financing debt held by operating wind farms	(4,561)	(4,455)
Impact of the debt restructuring of some operating wind farms in France	(1,987)	n/a
Others	(1,151)	(239)
Financial income	(14,244)	(6,688)

The interest expense related to the convertible bond (OCEANEs) increased markedly. In the first half of 2012, it regained its normal levels, after having benefited from the positive impact, in the first half of 2011, of a reversal of interest totaling 4.1 million euros, linked to significant bond conversions during the period.

In the first half of 2012, the interest expense related to the convertible bond comprised interest accrued over the period, totaling 2.2 million euros, as well as the posting of an additional non-cash interest charge of 4.4 million euros, due to the convertible nature of the bond and IFRS regulations.

The interest expense related to project financing debt held by operating wind farms, as part of the Group's regular activities, increased slightly. Additional interest related to the commissioning of a wind farm in France exceeded the decline in interest linked to the farms sold in Germany.

In France, the Group has undertaken measures to optimize the debt structure of its main farms in operation, with a view to improving the financial ratios of these wind farms (covenants). This optimization resulted in the partial

repayment of principal and hedging instruments associated with some financing. The accounting treatment of this optimization, in accordance with IFRS, resulted in a non-recurring financial expense of 2 million euros.

- **Net income of the consolidated Group**

In total, the net income of the consolidated Group for the first half of 2012 was a loss of 10.3 million euros, compared to a loss of 6.9 million euros in the first half of 2011.

The considerable improvement in the Group's operating performance was affected negatively by a significant increase in financial expenses, due to the low level of OCEANE conversions in the first half of 2012, compared to the first half of 2011, and by the accounting impact of a one-off optimization of the financing of certain wind farms in France.

DEBT AND CASH POSITION

Net debt went from 243.8 million euros as of December 31, 2011 to 239.1 million euros as of June 30, 2012. It breaks down as follows:

<i>(in thousand euros)</i>	06/30/2012	12/31/2011
Project financing debt	(200,104)	(214,824)
Convertible bond	(105,473)	(103,390)
Other financial liabilities	(14,646)	(13,865)
<i>of which financial instruments or SWAP</i>	(10,788)	(10,026)
Current financial assets	5,230	487
Cash and cash equivalents	75,926	87,831
Net financial debt	(239,067)	(243,761)

Project financing debt fell by 14.7 million euros during the half-year period. The Group continued with the normal amortization of its project financing, but also repaid a portion of its financing in advance, specifically in France (as part of its measures to optimize the debt of some of its farms in operation) and Germany (following the sale of two farms). It is reminded that project financing debt is non-recourse or with limited recourse to the parent company. Each special purpose vehicle holding the project assets directly takes out the financing with the bank and ensures reimbursement through the cash flows generated by the operation of the wind farm.

The convertible bond increased by 2.1 million euros, specifically following the posting of an additional interest charge of 4.4 million euros, due to the convertible nature of the bond and IFRS regulations.

In June 2012, THEOLIA, along with Credit Suisse, implemented a dynamic management mechanism for a portion of its available cash, based on a swap contract relating to its OCEANEs. The Group anticipates that, based on the stock market performance of its OCEANEs, this mechanism will allow it to earn an attractive return at an acceptable level of risk.

In order to constitute its hedge with respect to this swap contract, Credit Suisse may purchase OCEANEs, in its own name and for its own account, within the limit of 1,150,000 OCEANEs, corresponding to a maximal amount of 13,225,000 euros, by purchasing OCEANEs on the market or blocks of OCEANEs off market.

During the term of the swap contract, THEOLIA will pay to Credit Suisse an amount equal to Euribor plus a spread, corresponding to the cost of the constitution of its hedge position by Credit Suisse, and will receive, if applicable, the

coupons and dividends received by Credit Suisse under its hedge position. Part of THEOLIA's available cash will be provided as collateral in order to secure its obligations towards Credit Suisse under the swap contract.

At the maturity of the contract or in case of a request from THEOLIA for an early repayment of part of its cash provided as collateral under the swap contract, THEOLIA will receive the market value of the OCEANEs allocated to the hedge of the swap and will pay to Credit Suisse the value of the constitution of its hedge (THEOLIA shall therefore receive from Credit Suisse the positive performance of the OCEANE or, as the case may be, pay to Credit Suisse the negative performance of the OCEANE). Credit Suisse will be the owner of the OCEANEs so purchased.

On the swap contract maturity date or in case of a request from THEOLIA for an early repayment of a part of its cash, Credit Suisse may unwind its position, depending on the market liquidity conditions, either by selling the OCEANEs that were purchased for the purposes of its hedge with respect to the swap contract, or by converting the OCEANEs into shares so as to sell the shares received as a result of the conversion of the OCEANEs. In the absence of a volume increase of the OCEANEs exchanged on the market and on the basis of the current volumes, the criteria used for the unwinding of the swap contract would probably lead to an unwind in shares.

On June 30, 2012, 5 million euros assigned to guarantee this mechanism were reclassified from cash to "Current financial assets", consistent with IFRS.

The cash position breaks down as follows:

<i>(in thousand euros)</i>	06/30/2012	12/31/2011
Free cash	32,397	48,073
Cash reserved for special purpose vehicles	22,600	19,707
Pledged cash	20,929	20,051
Total cash and cash equivalents	75,926	87,831

This cash position does not take into account the positive impact of the disposal of the Gargouilles wind farm to the investment vehicle THEOLIA Utilities Investment Company, which occurred in July 2012.

The Group's **cash position** is significant. If cash reclassified as "Current financial assets" is included, it totaled 80.9 million euros as of June 30, 2012.

The use of cash during the half-year period specifically allowed for continuing investment in current projects totaling 11.8 million euros, as well as early repayment of a portion of project financing debt.

3 Significant events after the date of closing of the half year accounts

Consolidation of shares

On July 20, 2012, as decided by the general meeting held on June 1, 2012, THEOLIA implemented the consolidation of its shares carried out by exchange of one new share for every two old shares. The exchange period for non-consolidated shares will last until July 21, 2014. The number of shares resulting from the consolidation is 64,020,798 new shares.

The conversion/exchange ratio applicable in case of bond conversion has been automatically modified. Up to the seventh business day prior to December 31, 2013, it will be equal to 4.32 shares for 1 OCEANE and to 3.46 shares for 1 OCEANE from January 1, 2014, up to the seventh business day prior to December 31, 2014.

Sale of the Gargouilles wind farm to the investment vehicle THEOLIA Utilities Investment Company

In July 2012, THEOLIA sold the Gargouilles wind farm to its investment vehicle THEOLIA Utilities Investment Company. This wind farm is located in France, in the Eure-et-Loir department. Commissioned between June and September 2011, this wind farm, with a capacity of 18.4 MW, produced electricity that was sold to the grid under a 15-year contract for the account of THEOLIA.

With this sale, THEOLIA continues its co-investment strategy through which the Group strikes a balance between wind farms kept for own account and wind farms and projects sold to the investment vehicle. This strategy allows THEOLIA to maintain an ambitious development, while maximizing its cash position. After this sale, THEOLIA keeps an indirect interest in the Gargouilles wind farm and continues to manage the farm on behalf of the investment vehicle.

The half year financial statements do not include the impact of this disposal.

On August 31, 2012, THEOLIA filed with the *Autorité des marchés financiers* (AMF) its 2012 half year financial report. It is available on the Company's website www.theolia.com, in the section "Finance – Results".

About THEOLIA

THEOLIA is an independent producer of wind energy, active over the entire wind value chain. The Group develops, builds and operates wind farms in four main countries: France, Germany, Italy and Morocco. In total, the Group operates 903 MW for its own account and for third parties.

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THEOLIA is listed on the compartiment C of Euronext Paris, code: TEO