2012

Half year financial report

Agenda

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HALF YEAR ACTIVITY REPORT

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

THEOLIA'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.

CONSOLIDATED INCOME STATEMENT

(in thousand euros)	**First half of 2012** (*)	**First half of 2011** (*)	**First half of 2010** (**)
Revenue	35,821	27,394	99,016
EBITDA (1)	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) EBITDA = current operating income + allocations to amortization and to non-operational risk provisions.

- **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:

	Wind activities			**Non-wind activity** (1)	**Consolidated total** (1)
(in thousand euros)	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:

	Wind activities			**Non-wind activity**	**Corporate**	**Consolidated total**
(in thousands of euros)	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:

(in thousand euros)	**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.

(in thousand euros)	**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:

(in thousand euros)	**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)
of which financial instruments or SWAP	*(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:

(in thousand euros)	**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.

4 Main risks and uncertainties for the second half of 2012

As of June 30, 2012, the risk factors are of the same nature as exposed in the 2011 registration document (on pages 75 to 90). Only financial covenants have changed. Their detail is provided on note 19 of the notes to the consolidated half year summary financial statements, on page 33 of this Report.

THEOLIA, as any economic player, monitors the current volatility of financial markets as well as uncertainties and fragilities of global economy. Specifically, the Group is closely monitoring the situation of Italy, a country in which it has made significant investments.

5 Main transactions between related parties

During the first half of 2012, relations between the THEOLIA Group and the related parties were comparable to those of 2011. Specifically, no transactions that were unusual in terms of their nature or magnitude occurred during this period.

CONSOLIDATED HALF-YEAR SUMMARY FINANCIAL STATEMENTS

1 Income statement

INCOME STATEMENT (in thousand euros)	Notes	06/30/2012	06/30/2011
Sales		**35,821**	**27,394**
Changes in inventories of finished goods and work in progress		(6,555)	(4,028)
External expenses		(10,168)	(10,708)
Taxes		(854)	(708)
Employee benefits expense	5	(4,638)	(5,227)
Amortization		(8,752)	(6,125)
Provisions		1,203	(675)
Other operating income and expenses		906	1,434
Current operating income		**6,964**	**1,356**
Other non-current income and expenses		(497)	(357)
Share in income of associates		4	(12)
Operating income (before impairment)		**6,471**	**987**
Impairment		(841)	(241)
OPERATING INCOME (after impairment)		**5,630**	**746**
Net financial debt cost	6	(11,693)	(6,801)
Other financial income		288	522
Other financial expenses	6	(2,839)	(409)
Financial income		**(14,244)**	**(6,688)**
Corporate tax expenses	7	(896)	334
Net income from continuing operations		**(9,510)**	**(5,608)**
Profit (Loss) for the year from discontinued operations	14	(781)	(1,253)
NET INCOME of the consolidated Group		**(10,291)**	**(6,861)**
Attributable to the owners of the company		(9,920)	(6,647)
Attributable to non-controlling interests		(371)	(214)
Earning per share of the consolidated scope (in euros)		(0.16)	(0.06)
Diluted earning per share of the consolidated scope (in euros)		(0.01)	(0.03)

2 Comprehensive income

COMPREHENSIVE INCOME (in thousand euros)	06/30/2012	06/30/2011
NET INCOME of the consolidated Group	**(10,291)**	**(6,861)**
Foreign exchange differences	292	78
Net od defered tax fair value on derivatives instruments	(531)	745
Total earnings and expenses posted	**(239)**	**823**
COMPREHENSIVE INCOME	**(10,530)**	**(6,037)**
Earning per share of the consolidated scope (in euros)	(0.09)	(0.05)
Diluted earning per share of the consolidated scope (in euros)	(0.06)	(0.03)

3 Balance sheet

ASSETS (in thousand euros)	Notes	06/30/2012	12/31/2011
Goodwill	8	40,591	40,591
Intangible assets	9	72,758	80,429
Tangible assets	10	294,379	295,704
Investments in associates		9,369	9,341
Non-current financial assets	11	11,417	12,418
Deferred tax assets		1,653	2,172
NON-CURRENT ASSETS		**430,167**	**440,655**
Inventories & works in progress	12	15,443	14,350
Trade and other receivables		21,757	35,912
Other current assets		18,155	19,809
Tax receivables		4,726	5,989
Current financial assets	11	5,230	487
Cash & cash equivalents	13	75,926	87,831
CURRENT ASSETS		**141,237**	**164,378**
Assets classified as held for sale		11,508	12,291
TOTAL ASSETS		**582,912**	**617,324**

EQUITIES & LIABILITIES (in thousand euros)	Notes	06/30/2012	12/31/2011
Share capital	15	89,629	127,591
Share premiums		304,791	305,193
Retained earnings		(196,624)	(196,458)
Net Income of the consolidated scope, Group share		(9,920)	(38,520)
Shareholders' equity - Group share		**187,876**	**197,806**
Non-controlling interests		(3,173)	(2,822)
SHAREHOLDERS' EQUITY		**184,703**	**194,984**
Non-current financial liabilities	17	289,721	269,139
Provisions - non-current share		20,702	20,231
Retirement benefit obligation		181	150
Deferred tax liabilities		13,822	13,993
Other non-current liabilities		2,678	2,678
NON-CURRENT LIABILITIES		**327,104**	**306,191**
Current financial liabilities	17	30,502	62,940
Provisions - current share		-	363
Trade and other payables		27,422	35,586
Tax and social liabilities		3,420	6,587
Current corporate tax liabilites		1,867	1,660
CURRENT LIABILITIES		**63,211**	**107,136**
Liabilities directly associated with assets classified as held for		7,894	9,013
TOTAL EQUITIES & LIABILITIES		**582,912**	**617,324**

4 Cash flow statement

(in thousand euros)	06/30/2012	06/30/2011
NET INCOME of the consolidated Group	**(10,291)**	**(6,861)**
Profit (Loss) for the year from discontinued operations	781	1,252
Elimination of amortization, depreciation and provisions	9,705	6,596
Elimination of change in deferred taxes	922	(331)
Elimination of capital gains/losses from disposals	58	269
Elimination of the share of income from equity	(4)	11
Financial expenses	12,752	7,221
Other income & expenses with no effect on cash	895	361
Gross self-financing margin	**14,818**	**8,517**
Change in working capital requirements	12,926	4,864
Corporation tax paid	765	(759)
Flows related to discontinued activities	(744)	(1,279)
NET FLOW FROM OPERATIONAL ACTIVITIES	**27,764**	**11,343**
Acquisitions of fixed assets	(11,783)	(17,019)
Disposals of fixed assets	2,216	1,015
Change in loans granted	(4,687)	95
Effect of change in scope of consolidation: subsidiary acquisitions net of cash acquired	94	(72)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES	**(14,159)**	**(15,980)**
Capital increase (decrease)	(77)	-
Increase in loans and other debts	5,071	18,848
Repayments of loans and other debt	(20,055)	(25,760)
Interests paid	(10,427)	(9,972)
NET FLOW GENERATED BY FINANCING ACTVITIES	**(25,488)**	**(16,883)**
Flows related to discontinued activities		
Effect of variations on exchange rates	(23)	(127)
CHANGE IN CASH AND CASH EQUIVALENTS	**(11,906)**	**(21,647)**
Net cash and cash equivalents – opening balance	87,831	110,360
Net cash and cash equivalents – closing balance*	75,926	88,713
CHANGE IN CASH AND CASH EQUIVALENTS	**(11,906)**	**(21,647)**
*Cash posted on the balance sheet	75,926	88,713
Bank overdrafts	-	-
Net cash and cash equivalents – closing balance	***75,926***	***88,713***

5 Statement of changes in shareholder’s equity

(in thousand euros)	Capital	Premiums	Currency translation adjustments	Change in fair value and others	Consolidated reserves and income	Shareholders' equity - Group share	Non-controlling interests	Total Shareholders' equity
As of 12/31/2010	110,293	304,948	299		(193,272)	222,268	(2,261)	220,007
Expenses and income directly recorded under Shareholders’ equity			(540)	745	-	206		206
Net Income of the consolidated scope, Group share					(6,647)	(6,647)	(214)	(6,861)
Comprehensive income	-	-	(540)	745	(6,648)	(6,441)	(214)	(6,655)
Capital increase						-		-
Expenses engaged for capital increase						-		-
Bonds conversion	17,081	245			-	17,327		17,327
Share-based payments and options	44	(44)			178	178		178
Treasury shares					91	91		91
Transactions between shareholders					(21)	(21)	21	-
Other reclassifications			62		7	69	10	79
As of 06/30/2011	127,419	305,149	(178)	745	(199,664)	233,471	(2,444)	231,027
Expenses and income directly recorded under Shareholders’ equity			597	(4,317)		(3,720)		(3,720)
Net Income of the consolidated scope, Group share					(31,873)	(31,873)	(500)	(32,373)
Comprehensive income	-	-	597	(4,317)	(31,873)	(35,593)	(500)	(36,093)
Capital increase						-		-
Expenses engaged for capital increase						-		-
Bonds conversion	172	46			-	218		218
Share-based payments and options	1	(1)			(4)	(4)		(4)
Treasury shares					(32)	(32)		(32)
Transactions between shareholders					(122)	(122)	122	-
Other reclassifications					(130)	(130)		(130)
As of 12/31/2011	127,591	305,194	419	(3,572)	(231,825)	197,806	(2,822)	194,984
Expenses and income directly recorded under Shareholders’ equity			292	(531)		(240)		(240)
Net Income of the consolidated scope, Group share					(9,920)	(9,920)	(371)	(10,291)
Comprehensive income	-	-	292	(531)	(9,920)	(10,160)	(371)	(10,531)
Capital increase						-		-
Capital reduction	(38,413)				38,413	-		-
Expenses engaged for capital increase						-		-
Bonds conversion	92	33			-	126		126
Share-based payments and options	442	(442)			73	73		73
Treasury shares	(84)	6			43	(35)		(35)
Transactions between shareholders					36	36	(36)	-
Other reclassifications					30	30	56	86
As of 06/30/2012	89,629	304,791	711	(4,103)	(203,150)	187,876	(3,173)	184,703

6 Notes to the consolidated half-year summary financial statements

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Note 1. General information

The company THEOLIA ("The Company") is a French limited liability corporation, with head office located in Aix-en-Provence, France. The Company, as well as its subsidiaries (the "Group"), conduct their business in the development, construction, operation and sale of wind farms. The Group also engages in environmental activities which are held for sale. The Group operates mainly in Europe.

The Company is listed on the Euronext Paris market, Compartment C.

The Company closes its annual accounts on December 31. The period for which the financial statements are presented began on January 1, 2012 and ended on June 30, 2012.

The Group's summary financial statements were approved by the Board of Directors on August 30, 2012.

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

Basis for preparing the financial statements

In accordance with European regulation No.1606/2002 dated July 19, 2002, the THEOLIA Group's consolidated summary financial statements as of June 30, 2012 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of that date.

The summary half year financial statements for the period ended June 30, 2011 are presented and have been prepared on the basis of the IAS 34 standard: "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. These notes may therefore be complemented by reading THEOLIA's financial statements published for the year ended December 31, 2011.

The summary consolidated financial statements are established using the accounting principles and methods applied by the Group to the financial statements for the fiscal year 2011 (described in Note 2 to the consolidated financial statements as of December 31, 2011), with the exception of the following standards and amendments to the standards applicable as of January 1, 2012:

Standard	Description	Potential impact on the Group's financial statements
Amendment IFRS 7	Transfer of financial assets	This amendment has no impact on these financial statements

The Group has decided not to apply in advance the standards, interpretations and amendments for which application is not mandatory in these financial statements:

Standard	Description	Potential impact on the Group's financial statements
Amendment IAS 1	Presentation of other components of comprehensive income	n/a
Amendment IAS 19	Staff benefits	

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.

The key assumptions are as follows:

- likelihood of success and commissioning of various wind projects;
- discounting assumptions applied in the various valuation models;
- capacity to secure financing for the various wind projects.

The accounts and financial information subject to significant estimates notably relate to intangible assets, tangible assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses and deferred tax assets.

Since these assumptions are uncertain in nature, actual performance may differ from these estimates. The Group regularly reviews its estimates and evaluations in order to take into account past experience and factors considered as relevant regarding the economic context.

These items were explained in more detail in the 2011 Registration Document published on April 27, 2012.

Note 3. Changes in the scope of consolidation

Scope of consolidation

For the first half of 2012, the scope of consolidation included, other than the parent company:

- 110 companies subject, directly or indirectly, to exclusive control;
- 3 companies subject to joint control; and
- 5 companies in which it has a significant influence.

Changes in the scope of consolidation since December 31, 2011 are not significant.

Note 4. Operating segments

The Group has retained the following operating segments for the purpose of presenting segment information:

- **Sale of electricity for own account** corresponds to the sale of electricity produced by wind farms owned by the Group,
- **Development, construction, sale** includes the development, construction and sale of wind projects and farms,
- **Operation** mainly comprises the management of wind farms on behalf of third parties,
- **Non-wind activity** is not strategic and is currently held for sale,
- **Corporate** essentially relates to the parent company THEOLIA SA.

Information for the period ended June 30, 2012

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Developement Construction Sale	Operation			
Sales						
France	8,301	1,410	245			**9,956**
Germany	12,190	3,908	3,202	736		**20,037**
Italy	2,419					**2,419**
Morocco	3,409					**3,409**
Total	**26,318**	**5,319**	**3,447**	**736**		**35,821**
Current operating income	**11,025**	**(5,075)**	**1,010**	**425**	**(421)**	**6,963**
Operating income	**11,006**	**(5,915)**	**1,004**	**425**	**(889)**	**5,630**

Comparative information for the period ended June 30, 2011

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Developement Construction Sale	Operation			
Sales						
France	5,782	1,218	188			**7,188**
Germany	10,207	524	2,808	852		**14,391**
Italy	2,383					**2,383**
Morocco	3,432					**3,432**
Total	**21,803**	**1,742**	**2,996**	**852**		**27,394**
Current operating income	**9,618**	**(6,970)**	**(268)**	**379**	**(1,403)**	**1,356**
Operating income	**9,566**	**(7,213)**	**(586)**	**382**	**(1,403)**	**746**

Revenue and operating income are commented on in Part 2 of the half year activity report.

Note 5. Staff costs

(in thousand euros)	06/30/2012	06/30/2011
Employee compensation	(3,302)	(3,689)
Social security and insurance expense	(1,258)	(1,390)
Other staff costs	(4)	30
Other employee benefits and share-based payments (IFRS 2)	(74)	(178)
Total staff costs	**(4,638)**	**(5,227)**

Workforce at the end of the period	06/30/2012	06/30/2011
Managers, employees and contributors	208	235
Total	**208**	**235**

The Group's total workforce amounts to 208 employees, 147 of whom are employed in wind activities.

Note 6. Net financial income

(in thousand euros)	06/30/2012	06/30/2011
Interest income generated by cash and cash equivalents	54	67
Changes in fair value of cash equivalents	325	440
Income from cash and cash equivalents	**379**	**507**

(in thousand euros)	06/30/2012	06/30/2011
Interest expense on financing operations	(12,072)	(7,308)
Cost of gross financial debt	**(12,072)**	**(7,308)**
Cost of net financial debt	**(11,693)**	**(6,801)**

The cost of net financial debt is analyzed as follows:

Change in cost of net financial debt (in thousand euros)	06/30/2012	06/30/2011
Convertible bond issue (OCEANEs)	(6,545)	(1,994)
Wind farms in operation in Germany	(1,724)	(2,132)
Wind farms in operation in France	(2,115)	(1,586)
Wind farms in operation in Italy	(796)	(766)
Wind farms in operation in Morocco	74	29
Other	(587)	(352)
Total	**(11,693)**	**(6,801)**

The change in interest expense related to the convertible bond is primarily due to the absence of the effect from conversion. Indeed, during the first half of 2011, conversions resulted in a reversal of interest totaling 4.1 million euros.

Other financial expense (in thousand euros)	06/30/2012	06/30/2011
Debt restructuring impact of French operating windfarms	(1,987)	-
Non-efficient part of hedging derivatives/debts	(37)	48
Changes in the fair value of short-term securities and other speculative instruments	(20)	(81)
Foreign exchange losses	(266)	(187)
Other financial expenses	(529)	(190)
Other financial expenses	**(2,839)**	**(409)**

Note 7. Tax expenses

(in thousand euros)	06/30/2012	06/30/2011
Corporate tax owed	(711)	(661)
Deferred tax	(185)	995
Total	**(896)**	**334**

Note 8. Goodwill

Change in the item

(in thousand euros)	Gross amount	Impairment	Net amount
Amounts as of 01/01/2012	**199,108**	**(158,517)**	**40,591**
Amounts as of 06/30/2012	**199,108**	**(158,517)**	**40,591**

(in thousand euros)	Gross amount	Impairment	Net amount 06/30/2012
DCS* of wind farms in France	11,316		11,316
DCS of wind farms in Germany	75,956	(55,629)	20,327
DCS of wind farms in Italy	17,599	(17,599)	-
DCS of wind farms in Spain	1,650	(1,645)	5
DCS of wind farms in Morocco	1	(1)	-
Sales of electricity for own account activity	90,768	(81,825)	8,943
Non-wind activity	109	(109)	-
Corporate activity	1,709	(1,709)	-
Total	**199,108**	**(158,517)**	**40,591**

**DCS: Development, construction, sale*

The Group reviewed its assets with regard to the IAS 36 standard and did not identify any impairment factor as of June 30, 2012.

Note 9. Intangible assets

(in thousand euros)	Projects under development	Development costs	Software and similar rights	Other intangible assets	TOTAL
Gross amounts as of 01/01/2012	**50,153**	**13,149**	**759**	**72,999**	**137,060**
Acquisitions and non-current assets generated internally	981	23	38	-	**1,041**
Decrease	(223)	-	-	-	**(223)**
Disposals	(1,281)	-	-	-	**(1,281)**
Impact of change in consolidation method	-	-	-	-	**-**
Currency translation adjustments	-	-	(1)	251	**250**
Other changes	(6,526)	-	15	(15)	**(6,526)**
Gross amounts as of 06/30/2012	**43,104**	**13,172**	**811**	**73,235**	**130,322**
Total depreciation and amortization as of 01/01/2012	**(18,564)**	**(2,082)**	**(682)**	**(35,304)**	**(56,632)**
Amortization	-	(334)	(33)	(1,934)	**(2,301)**
Depreciation for impairment	(841)	-	-	-	**(841)**
Reversals on disposals	-	-	-	-	**-**
Impact of change in consolidation method	-	-	-	-	**-**
Currency translation adjustments	-	-	-	(144)	**(144)**
Other changes	2,348	-	3	-	**2,351**
Total depreciation and amortization as of 06/30/2012	**(17,057)**	**(2,416)**	**(709)**	**(37,382)**	**(57,564)**
Net amounts as of 01/01/2012	**31,589**	**11,067**	**77**	**37,695**	**80,428**
Net amounts as of 06/30/2012	**26,047**	**10,756**	**102**	**35,853**	**72,758**

Intangible assets mainly include:

- Development costs incurred with to obtain the authorizations needed for the construction and operation of wind projects currently in development phase (item "Projects under development");
- Development costs incurred to obtain the authorizations needed for the construction and operation of wind farms currently in operation (item "Development costs"); and
- Operating rights for the wind farm located in Morocco as part of a concession awarded by the Moroccan government (including in the item "Other intangible assets").

The gross value of wind projects in development phase decreased by €7,049 thousand. This is related to the reclassification of assets to inventories for some projects (largely in France) for which construction permits had been applied and for which authorizations are in the process of being obtained.

At the same time, depreciation posted during the previous fiscal years has also been subject to the same type of reclassification ("Other changes" line) in the amount of €2,348 thousand.

Note 10. Tangible assets

(in thousand euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	TOTAL
Gross amounts as of 01/01/2012	6,377	4,217	33,036	348,816	4,022	396,468
Acquisitions and non-current assets generated internally	-	4	5,993	31	30	**6,058**
Disposals	(54)	(8)	(1)	(2)	(50)	**(115)**
Currency translation adjustments	-	-	-	2	(9)	**(7)**
Other changes	-	-	186	(1,202)	-	**(1,016)**
Gross amounts as of 06/30/2012	6,323	4,213	39,214	347,645	3,993	401,388
Total depreciation and amortization as of 01/01/2012	(1,177)	(1,786)	(2,149)	(93,138)	(2,512)	(100,764)
Amortization	-	(66)	-	(6,308)	(79)	**(6,453)**
Depreciation for impairment	-	-	-	-	-	**-**
Reversals on disposals	-	-	-	2	42	**44**
Currency translation adjustments	-	-	-	(1)	5	**4**
Other changes	-	-	(28)	321	(130)	**163**
Total depreciation and amortization as of 06/30/2012	(1,177)	(1,847)	(2,177)	(99,125)	(2,679)	(107,009)
Net amounts as of 01/01/2012	5,200	2,431	30,887	255,678	1,510	295,704
Net amounts as of 06/30/2012	5,146	2,366	37,037	248,520	1,314	294,379

(1) Mainly relating to wind farms under operation.

The Group is continuing its investments in projects under construction in the amount of €5,993 thousand. This increase corresponds mainly to progress on a 10 MW wind farm being constructed in Italy.

The decrease of €1,202 thousand in technical facilities on the "Other changes" line corresponds to the sale of a 0.8 MW wind farm in Germany.

Amortization of technical facilities in the amount of €6,308 thousand corresponds to:

- Wind farms located in France (€1,468 thousand)
- Wind farms located in Germany (€4,235 thousand)
- The wind farm located in Italy (€342 thousand)
- Others (€264 thousand)

Note 11. Financial assets

06/30/2012 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Shares available for sale	-	2,325	436	2,761
Other financial assets				-
Related receivalbes with affiliates	-	-	6,250	6,250
Loans	211	601	1,312	2,124
Other non-current receivables	18	-	-	18
Deposits and guarantees	5,000	205	288	5,493
Various long-term investments	-	-	-	-
Financial assets	5,229	3,131	8,286	16,646

A portion of the Group's available cash, i.e. €5 million, has been assigned to guarantee the dynamic management mechanism (equity swap). Since it does not meet IFRS criteria for cash equivalents, this sum is posted to "Deposits and guarantees" under current financial assets.

12/31/2011 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Shares av ailable for sale	-	1,193	293	1,486
Other financial assets				
Related receivalbes with affiliates	-	-	6,250	6,250
Loans	262	884	1,423	2,569
Other non-current receivables	18	-	1,852	1,870
Deposits and guarantees	7	373	150	530
Various long-term investments	200	-	-	200
Financial assets	**487**	**2,450**	**9,968**	**12,905**

Note 12. Inventories

(in thousand euros)	06/30/2012	06/30/2011
Wind projects and farms	22,996	18,472
Turbine components and other parts	1,565	1,575
Depreciation	(9,118)	(5,697)
Net amount	**15,443**	**14,350**

(in thousand euros)			06/30/2012	06/30/2011
	Gross value	**Depreciations**	**Net value**	**Net value**
Germany	10,205	(1,778)	8,427	11,505
France	8,395	(4,153)	4,242	1,091
Italy	1,737	(309)	1,428	386
Morocco	777	-	777	787
Rest of the w orld	2,058	(1,487)	571	581
Corporate	1,390	(1,391)	(1)	
TOTAL	**24,561**	**(9,118)**	**15,443**	**14,350**

In Germany, the decrease in the net value of inventories corresponds mainly to the sale of a 1.5 MW wind farm.

In France, some wind projects in development phase, for which a permit has been applied and for which authorizations are in the process of being obtained, have been reclassified from assets to inventories.

Net inventory for the rest of the world mainly relates to Brazilian projects.

Note 13. Cash and cash equivalents

(in thousand euros)	06/30/2012	06/30/2011
Marketable securities (net)	25,027	41,536
Cash	50,899	46,295
Total cash and cash equivalents	**75,926**	**87,831**
Bank overdrafts	-	-
Net cash	**75,926**	**87,831**

(in thousand euros)	06/30/2012	12/31/2011
Free cash	32,397	48,073
Reserved cash for SPVs	22,600	19,707
Pledged cash	20,929	20,051
Bank overdrafts	-	-
Total cash and cash equivalents	**75,926**	**87,831**

The Group's cash includes an available part, a reserved part and a pledged part. As of June 30, 2012, the Group's total cash and cash equivalents amounted to €75,926 thousand.

Free cash €32,397 thousand (i.e., 43% of total cash)

Free cash is directly allocated for Group companies' operating purposes; it may be broken down as follows:

- THEOLIA SA (holding company) €19,365 thousand
- France (excluding the holding company) €263 thousand
- Germany € 9,892 thousand
- Italy €254 thousand
- Other countries € 2,623 thousand

Reserved cash €22,600 thousand (i.e., 30% of total cash)

This part represents the cash that special purpose vehicles cannot freely use due to their financing terms and conditions, but which remains available to finance their current operations.

It breaks down as follows:

- France(excluding the holding company) €5,176 thousand
- Germany €16,103 thousand
- Italy €1,320 thousand

<u>Pledged cash €20,929 thousand (i.e., 28% of total cash)</u>

This cash cannot be freely used for current operations. It primarily reflects pledges given to financial establishments to guarantee obligations or establish reserves accounts for project financing.

- THEOLIA SA (holding company) €54 thousand
- France(excluding the holding company) €4,247 thousand
- Germany €15,060 thousand
- Italy €1,535 thousand
- Rest of the World €33 thousand

As of June 30, 2012, 33% (€25,027 thousand) of total cash and cash equivalents were invested. All investments take the form of SICAV (money market)-type security support or term deposits. All investments are immediately available.

Note 14. Activities discontinued, sold or held for sale

In the context of its reorganization, the Group decided to sell or discontinue those of its activities considered to be non-strategic: primarily the assets of the non-wind activities. This decision was formalized in a resolution of THEOLIA's Board of Directors in November 2008 and reconfirmed by the Board of Directors on April 18, 2011 and August 31, 2011.

However, given in particular the economic context, the Group has not yet finalized the disposal of all of its non-wind activities as of June 30, 2012. The Group is actively pursuing the disposal plan for those activities.

The applicable assets and liabilities mainly relate to the Group's environmental activities, and are concentrated within SERES Environnement (and its subsidiaries) and Ecoval 30.

Since December 31, 2008, they have been accounted for in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations." As of June 30, 2012, This accounting treatment was maintained.

Thus, all transactions for the period relating to the environmental division have been accounted on the income statement line "Profit / (loss) from discontinued operations." The assets and liabilities have been accounted on the balance sheet line, "Assets/ Liabilities classified as held for sale."

Asset values were depreciated on the basis of the probable selling prices. As a result, a provision of €3,278 thousand was recognized at the end of 2011. As of June 30, 2012, this provision has been adjusted to reflect the change in the net assets: a charge of (€368 thousand) was posted on the line "Profit/ (loss) from discontinued operations" in the income statement.

Information on the income statement as of June 30, 2012

(in thousand euros)	THEOLIA Group pre-IFRS 5 06/30/2012	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 06/30/2012
Sales	**40,176**	**(4,355)**	**35,821**
Current operating income	**6,667**	**297**	**6,964**
Impairment	(841)		(841)
Operating income	**5,254**	**376**	**5,630**
Financial income	**(14,341)**	**96**	**(14,244)**
Net income from continuing operations	**(9,923)**	**413**	**(9,510)**
Profit (Loss) for the year from discontinued operations		(781)	(781)
NET INCOME of the consolidated Group	**(9,923)**	**(368)**	**(10,291)**
Attributable to the owners of the company	(9,552)	(368)	(9,920)
Attributable to non-controlling interests	(371)		(371)

Information on the income statement as of June 30, 2011

(in thousand euros)	THEOLIA Group pre-IFRS 5 06/30/2011	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 06/30/2011
Sales	**32,150**	**(4,756)**	**27,394**
Current operating income	**774**	**582**	**1,356**
Impairment	(241)		(241)
Operating income	**80**	**666**	**746**
Financial income	**(6,817)**	**129**	**(6,688)**
Net income from continuing operations	**(6,309)**	**701**	**(5,608)**
Profit (Loss) for the year from discontinued operations		(1,253)	(1,253)
NET INCOME of the consolidated Group	**(6,309)**	**(552)**	**(6,861)**
Attributable to the owners of the company	(6,095)	(552)	(6,647)
Attributable to non-controlling interests	(214)		(214)

Note 15. Share capital

	01/01/2012	Free shares	Creation of shares by conversion of OCEANE bonds	Cancellation of shares	Reduction of the nominal value of shares	06/30/2012
Number of shares	127,591,147	441,638	92,412	(83,600)	-	128,041,597 *
Securities value	**127,591,147**	**441,638**	**92,412**	**(83,600)**	**(38,412,479)**	**89,629,118**
Share capital	**127,591,147**	**441,638**	**92,412**	**(83,600)**	**(38,412,479)**	**89,629,118**

*including 176,638 treasury shares.

As of June 30, 2012, the capital was composed of 128,041,597 shares with par value of €0.70.

Note 16. Share-based payments

Share subscription warrants

Warrants exercisable as of December 31, 2011	**2,062,106**
Warrants canceled druing the period	(1,667,637)
Warrants as of June 30, 2012	**394,469**

During the first half, 1,667,637 warrants expired before they had been exercised, and have therefore been canceled.

Free shares

The Group granted no free shares during the period. No free shares remained outstanding at the end of the period.

Stock options

No stock options were granted during the period.

The expense recognized as of June 30, 2012 for all current plans amounted to (€73 thousand) (options granted on December 1, 2010 to the Chief Executive Officer of THEOLIA SA; options granted on July 29, 2011 to certain Group employees).

Note 17. Financial debt

Change in borrowings and financial debt

(in thousand euros)	Bank loans	Convertible bond	Other financial liabilities	TOTAL
Amounts as of 01/01/2012	**214,824**	**103,390**	**13,865**	**332,079**
Increase	5,568	6,545	2,236	**14,349**
Repayments	(20,288)	(4,462)	(1,304)	**(26,054)**
Change in consolidated scope - leaving the perimeter	-	-	(151)	**(151)**
Amounts as of 06/30/2012	**200,104**	**105,473**	**14,646**	**320,223**

As of June 30, 2012, financial debt amounted to €320,223 thousand, a decrease of €11,856 thousand compared to December 31, 2011.

This change reflects the following factors:

Bank loans **(€14,721 thousand)**

New bank loans amounted to €5,568 thousand, corresponding to:

- Drawdown on project financing in France €1,410 thousand
- Drawdown on project financing in Germany € 2,275 thousand
- accrued interest not paid €667 thousand
- other (interest capitalization) €1,217 thousand

Repayments of existing loans amounted to (€20,288 thousand):

- normal amortization of project financing (€10,581 thousand)
- early repayment as part of the optimization of the debt structure of some wind farms in France (€4,950 thousand)
- early repayment of project financing in Germany (following wind farm disposal and restructuring) (€4,758 thousand)

As of June 30, 2012, the Group had no additional available corporate credit lines.

Convertible bond **€2,083 thousand**

The bond posted a net increase of €2,083 as a result of:

- the payment of accrued interest as of December 31, 2011 in the amount of (€4,339 thousand);
- the conversion of 10,696 OCEANE bonds during the first half in the amount of (€123 thousand); and
- the recognition of €6,545 thousand of interest accrued over the first half of 2012 and additional interest due to the convertible nature of the loan.

Other financial liabilities **(€782 thousand)**

The change in other financial liabilities reflects:

- the change in the valuation of interest rate hedging instruments € 762 thousand
- the change in other financial debt €171 thousand
- the change in current account (€151 thousand)

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 terms.

(in thousand euros)	< 1 year	>1 year < 5 years	> 5 years	Total 06/30/2012
Convertible bond	**2,165**	**103,308**	**-**	**105,474**
. Holding	*2,165*	*103,308*	*-*	*105,474*
Coroporate credit lines	-	-	-	**-**
Project financing	**27,401**	**75,971**	**96,731**	**200,103**
. France	*12,555*	*23,679*	*38,763*	*74,997*
. Germany	*13,375*	*43,794*	*31,736*	*88,905*
. Italy	*1,471*	*8,498*	*26,233*	*36,202*
. Morocco	*-*	*-*	*-*	*-*
Derivatives financial instruments	**882**	**-**	**9,906**	**10,788**
. France	*882*	*-*	*7,821*	*8,703*
. Italy	*-*	*-*	*2,085*	*2,085*
Bank overdrafts	**-**	**-**	**-**	**-**
Other financial debts	**54**	**3,804**	**-**	**3,858**
. Holding	*54*	*1,298*	*-*	*1,352*
. Italy	*-*	*2,506*	*-*	*2,506*
TOTAL FINANCIAL DEBT	**30,502**	**183,084**	**106,637**	**320,223**

The current part of the debt as of June 30, 2012 amounted to €30,502 thousand, breaking down as follows:

- €7,216 thousand of project financing reclassified in short-term debt (including €682 thousand corresponding to the valuation of derivatives interest rates hedging instruments) for a French wind farm in violation of some financial covenants as of June 30, 2012. This reclassification is required by IAS 1R.69. The lender has not, however, requested early repayment of the debt;
- €21,067 thousand representing the current part of long-term borrowings;
- €2,165 thousand of interest payable on OCEANE bonds in January 2013;
- €54 thousand of other financial debt (current accounts).

Convertible bond

The convertible bond is based on the following characteristics:

The terms of the OCEANE bond were modified with effect from July 20, 2010 (the date of the share capital increase). The change in the ratio for conversion of the OCEANEs took effect on July 21, 2010.

As of the closing date of the period, the main characteristics of the bond issue are as follows:

- type of financial instrument — OCEANEs
- number of bonds — 8,428,710
- initial par value — €240,000 thousand
- new par value as of July 21, 2010 — €219,577 thousand
- maximum amount repayable in case of a request for early repayment on January 1, 2015 — €128,875 thousand
- maturity of the loan — January 1, 2041
- annual interest rate until December 31, 2014 — 2.70%
- annual interest rate with effect from January 1, 2015 — 0.10%
- conversion ratio until the

7th working day prior to December 31, 2013 — 8.64 shares per OCEANE

- conversion ratio until the
  7th working day prior to December 31, 2014 — 6.91 shares per OCEANE
- redemption price on January 1, 2015 — €15.29 € per OCEANE
- redemption price for the OCEANEs on January 1, 2041 — €20.77 € per OCEANE

The effective interest rate (EIR) amounts to 13.3%, on which basis the convertible debt has a nil equity component. The totality of the convertible debt has thus been classified within financial debt.

The final assumptions applied for the split accounting calculation are as follows:

- rate spread of 1,134 basis points
- bond market price of €10.43

The annual interest charge for the OCEANEs outstanding as of June 30, 2012 is detailed below (in thousand euros, and not taking into account any potential impact of conversions):

Year	Interest at the rate of 2.70%	Interest at EIR	Additional interest of
2012	4,343	13,126	8,784
2013	4,331	14,253	9,922
2014	4,331	15,572	11,241
	13,004	**42,951**	**29,946**

Analysis by type of rate

Analysis by type of rate before the impact of hedging instruments:

(in thousand euros)	6/30/2012	12/31/2011
Fixed rate	214,513	214,152
Variable rate	105,710	117,927
THEOLIA Group	**320,223**	**332,079**

Fixed-rate borrowings amounted to €214,513 thousand, or 67% of total borrowings as of June 30, 2012, broken down as follows:

- convertible bond — €105,474 thousand
- project financing
  - France — €5,463 thousand
  - Germany — €88,292 thousand
  - Italy — €11,426 thousand
- other debt (Italy) — €2,506 thousand
- current account — €1,352 thousand

Variable-rate debt amounted to €105,710 thousand, or 33% of total borrowings as of June 30, 2012, broken down as follows:

- project financing
  - France — €78,237 thousand
  - Italy — €26,861 thousand
  - Germany — €613 thousand

Analysis by rate type after the impact of hedging instruments:

(in thousand euros)	6/30/2012	12/31/2011
Fixed-rate debt	289,715	295,331
Variable-rate debt	30,509	36,748
THEOLIA Group	**320,223**	**332,079**

As of June 30, 2012, and after the impact of hedging instruments, fixed-rate borrowings amounted to €289,715 thousand, or 90.4% of total borrowings.

Note 18. Derivative financial instruments

The derivatives set up to manage the rate risk on variable-rate loans are recognized at their fair value as of June 30, 2012.

The change in fair value of interest-rate swaps (on a like-for-like basis) during the half year amounted to (€971 thousand). This change in fair value decreased Group shareholders' equity and comprehensive income.

During the half year, Centrale Eolienne de Magremont contracted a new interest-rate swap in relation to its financing requirements.

As of June 30 2012, the change in fair value of the hedging instruments posted to shareholders' equity was (€531 thousand):

(in thousand euros)	06/30/2012
Fair value of new derivatives instruments	(160)
Change in fair value of swaps efficient part	(971)
Debt financial restructuring impact related to some operating wind farms located in France	763
Change in gross fair value of dervatives instruments recorded in the comprhensive income	**(368)**
Change in deffered taxes	(163)
Change in net of taxes fair value of dervatives instruments recorded in the comprhensive income	**(531)**

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.

As of June 30, 2012, €5 millions 5 million assigned to guarantee this mechanism were reclassified from cash to “Current financial assets”, consistent with IFRS rules.

Note 19. Covenants

The Group has two categories of borrowings:

- Group corporate borrowings: OCEANE;
- project debt: this financing, linked to the construction of wind farms, is subject to financial covenants concerning, in particular, compliance with SPV cash flow ratios (cash flow generated by operations/ interest payable) and financial structure ratios (financial debt/ shareholders' equity).

During the first half of 2012, the Group undertook the restructuring of project financing of several wind farms in operation. located in France. Restructuring consists of an early repayment financed first of all by the reserve cash of each project, and a redefinition of the amortization schedule.

As of June 30, 2012, one wind farm in France had a debt service ratio below the required level. The maintenance costs and operating availability of this wind farm remain in line with forecast and will benefit from the restructuring mentioned above, starting in the second half of 2012. As of June 30, 2012, a total of €7,216 thousand of this farm's debt had been reclassified as "Current financial debt."

As of the date of publication of this document, early repayment for default had not been requested by the lenders to any of the Group's special purpose vehicles.

Note 20. Related parties

During the first half of 2012, relations between the THEOLIA Group and related parties remained comparable to those of 2011. Specifically, no transaction unusual in nature or amount occurred during this period.

Transactions between the Group and directors

There were no transactions between the Group and its directors.

Executive officers' compensation

The compensation paid to executive officers exercising technical functions within the Group was as follows:

(in thousand euros)	06/30/2012	06/30/2011
Salaries and bonuses	(150)	(150)
Share-based pay ments / stock options	(45)	(50)
Directors' fees	(112)	(102)
Other compensation	(7)	(2)
TOTAL	**(313)**	**(303)**

Note 21. 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 a country, the corresponding subsidiary sets up a SPV to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These SPVs may be direct subsidiaries of the Company in some jurisdictions, or they may be held indirectly through intermediate holding companies.

The Group cannot consolidate the assets and liabilities, or the income and expenses of these subsidiaries in its consolidated accounts if it notes an absence of control in terms of IFRS rules.

However, as Group holding company, the Company may be liable to its lenders, suppliers and clients for providing credits, liquidities or other types of support for its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the consolidated IFRS financial statements of the Group, these credits, liquidities or other types of support to deal with market risk do not appear in the consolidated balance sheet of the Group. Likewise, if a subsidiary is consolidated, certain types of support are not shown in the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- letters of credit guaranteeing the subsidiaries' working capital;
- guarantees to the suppliers of wind turbines;
- guarantees to finance subsidiaries developing wind projects;
- guarantees for obligations to refund the purchase price for the benefit of clients;
- comfort letters provided to subsidiaries; and
- other commitments (direct agreements, pledges of equipment, etc.).

In addition, in some cases, non-consolidated entities may also supply the Group with credits, liquidities or other types of support in connection with market risk; these also constitute off-balance sheet commitments.

The tables below provide the breakdown of the significant off-balance sheet commitments related to the Group's scope of consolidation, financing, and the Company's operational activities and those of its subsidiaries as of June 30, 2012.

- **Off-balance sheet commitments related to the Group's scope of consolidation**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2011 Amount in millions of €	6/30/2012 Amount in millions of €
THEOLIA guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for an overall maximum amount of €140,000. This guarantee is currently restricted to the amount of €111,086 within the context of the dispute with the water purification plant in Cabries	N/A	0.1	**0.1**
TOTAL						**0.1**

- **Off-balance sheet commitments related to the financing of the Company and its subsidiaries**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2011 Amount in millions of €	6/30/2012 Amount in millions of €
Pledge of bank accounts	Theolia Naturenergien GmbH	Credit institutions	Pledges to different banks of a certain number of accounts opened in their books to guarantee the costs that could arise when dismantling certain wind farms in Germany	Variable according to the term of loan granted	7.2	**7.2**
Call option	Ecolutions GmbH & Co. KGaA	Individual shareholder	Agreement for the purchase by THEOLIA of 25,000 shares of Ecolutions	May 18, 2012	0.025	**0.025**
Pledge of bank accounts Pledge of cash balances	SPVs France	Credit institutions	Pledge with various banks of accounts opened on their books	Variable according to the term of loan granted	4.6	**3.5**
Pledge of SPV shares	SPVs	Credit institutions or third parties (assignees)	Certain Group companies may be required to pledge their bonds as security for lenders.	Variable according to the term of loan granted	27.2	**29.0**
TOTAL						**39.7**

- **Off-balance sheet commitments related to the operational activities of the Company and its subsidiaries**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2011 Amount in millions of €	6/30/2012 Amount in millions of €
Lease agreement for the registered office	THEOLIA SA	MINA 2 (successor of La Halte de Saint Pons SAS)	Contractual commitment of January 28, 2008 to lease the registered office premises for a term of 9 years (from March 1, 2008) with no early termination option	February 28, 2017	2.4	**2.0**
Guarantees for liabilities in use	Certain companies in the Group	Purchasers	The Group's companies in France, Germany and Italy grant the guarantees for assets and liabilities in use to purchasers for periods varying from between 18 and 36 months when selling wind farms.	Variable (from 18 to 36 months)	-	**-**
TOTAL						**2.0**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2011 Amount in millions of €	6/30/2012 Amount in millions of €
Non-compete undertaking	THEOLIA France SAS	THEOLIA France SAS	Three-year non-compete commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2012	N/A	**N/A**
Non-dismissal commitment	THEOLIA France SAS	THEOLIA France SAS	Five-year non-dismissal commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2014	N/A	**N/A**
Miscellaneous guarantees	Certain companies in the Group	Certain companies in the Group	As part of its construction and development operating activities, some of the Group's companies are sometimes given guarantees by certain turbine manufacturers covering the operation of wind farms, as well as construction (deposit) and completion guarantees by certain sub-contractors.	Variable	-	**-**

STATUTORY AUDITORS' REVIEW REPORT ON FIRST HALF YEAR FINANCIAL INFORMATION FOR 2012

(for the period January 1, 2012 to June 30, 2012)

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 includes information relating to the specific verification of information presented in the Group's interim management report. 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 compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code Monétaire et Financier*), we hereby report to you on:

- the review of the accompanying condensed consolidated financial statements of THEOLIA for the half-year ended June 30, 2012;
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional practice standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the interim 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 and Paris, August 30, 2012
The Statutory auditors
French original signed by

Deloitte & Associés	Cabinet Didier Kling & Associés	
Christophe PERRAU	Didier KLING	Christophe BONTE

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the 2012 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 3 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 main risks and uncertainties for the remaining six months of the year.

Aix-en-Provence, August 30, 2012,

Fady Khallouf

Chief Executive Officer