



THEOLIA announces the signature of an agreement with its main bondholder in the aim of restructuring its OCEANE debt

The 2014 half-year results show another very strong improvement of the operating performance

- The agreement executed with Boussard & Gavaudan provides for a fully guaranteed 60 million euro capital increase to finance a partial early repayment of the convertible bonds in order to reduce the bond debt to 66 million euros
- Consolidated EBITDA ⁽¹⁾: + 28%
- Consolidated operating income: + 135%
- Significant improvement of the net income

On this occasion, **Fady Khallouf, THEOLIA's CEO**, said:

“The Board of Directors approved, on August 26, 2014, the signature of an agreement, with Boussard & Gavaudan, the main holder of the OCEANE debt, relating to the debt restructuring and including a 100% guarantee for the associated capital increase. This is very good news for THEOLIA, its shareholders and creditors. It reflects the trust given to the Group after the great transforming work that it has carried out since 2010 and which would therefore enable the Group to carry on its business and development on improved bases and with a healthy balance-sheet. In case shareholders and bondholders give their approval, the Group would therefore be able to continue as a going concern after the repayment deadline of January 1, 2015.

Again, during the first half of 2014, operating profitability increased sharply. The strengthening of operating fundamentals, which are again improving, shows the relevance of the business model implemented. Our main activity, namely the Sales of electricity for own account, which provides a recurring performance over the long term, is the base of our stability and operating profitability. While carrying on developing, we will reach financial profitability.

After the failure of the takeover offer launched on our Group in July 2013, THEOLIA is today implementing an alternate solution which enables it to meet its past commitments, while enabling its existing shareholders to go along with this restructuring operation of its outstanding debt in participating in the capital increase.

The Group is looking to its future with trust and determination.”

⁽¹⁾ Current operating income before amortization and non-operational risk provisions.

Signature of an agreement with the Group's main bondholder

- THEOLIA's Board of Directors approved today the signature of a memorandum of understanding between THEOLIA and Boussard & Gavaudan in the aim of ensuring the restructuring of the OCEANEs 2007 to face the deadline of January 1, 2015;
- in addition to the support of Boussard & Gavaudan (1st holder of OCEANEs 2007 with 33.35% of the outstanding OCEANEs 2007), this restructuring plan received the support of the Concert, representing 15.93% of the share capital;
- THEOLIA's bondholders and shareholders will be called to approve, before the end of the year, the terms of the restructuring plan;
- the restructuring plan is subordinated to the completion of a capital increase with preferential subscription right to the existing shareholders through the issue of shares with warrants attached, enabling notably a partial early repayment of the OCEANEs 2007;
- the OCEANEs 2007 will be subject to an amendment of their terms and conditions, by means of an increase in the exchange ratio and in the coupon between January 1, 2015 and January 1, 2020, as well as to a partial repayment schedule between January 1, 2017 and January 1, 2019, and to a possibility for the bondholders to request the early repurchase as at January 1, 2020;
- the restructuring plan will enable to reinforce THEOLIA's shareholders' equity, to speed up its debt reduction and to enable it to continue as a going concern after January 1, 2015, as well as to pursue its strategy.

THEOLIA, an international wind farm developer and operator, listed on Euronext in Paris, announces the signature of a memorandum of understanding with Boussard & Gavaudan, the main holder of bonds convertible and/or exchangeable in new or existing shares issued by THEOLIA on October 31, 2007, the terms and conditions of which were amended further to THEOLIA's General Meeting of Bondholders of February 18, 2010 and to THEOLIA's General Meeting of Shareholders of March 19, 2010 (the "**OCEANEs 2007**").

As announced in its Registration Document, filed with the French *Autorité des marchés financiers* ("**AMF**"), on April 23, 2014 (under number D.14-0393), THEOLIA is currently in a situation which does not enable it to face the risk of early repayment request of the OCEANEs 2007 as at January 1, 2015. Indeed, in the event of an early repurchase request from all the outstanding OCEANEs 2007, the amount THEOLIA would have to repay would reach 125.8 million euros.

In this context, THEOLIA looked for the best options likely to enable it to ensure a significant decrease in its financial debt, as well as a reinforcement of its shareholders' equity, and got in touch with Boussard & Gavaudan, its main bondholder, holding today 33.35% of the outstanding OCEANEs 2007, in order to renegotiate the terms and conditions of the OCEANEs 2007.

Boussard & Gavaudan and THEOLIA reached, at the end of their negotiations, an agreement on the restructuring plan (the "**Restructuring Plan**"), which is based on the following main steps:

- the amendment of some terms of the issuance contract of the OCEANEs 2007, as amended on July 20, 2010 (the "**Issuance Contract**"), and which have to be approved by THEOLIA's general meeting of bondholders and extraordinary general meeting of shareholders;
- the completion of a reduction in the unit par value of THEOLIA's shares from 1.40 euro to 0.10 euro (the "**Capital Reduction**"); and

- the completion of a capital increase in the amount of 60 million euros through the issue of shares with warrants attached with preferential subscription right to the existing shareholders, this capital increase being made in the aim of financing the partial early repayment of the OCEANEs 2007 in the amount of 7.266 euros per OCEANE 2007 at the latest on March 6, 2015 (the “**Capital Increase**”).

The Concert, constituted by Mr Michel Meeus, Mr Pierre Salik, Mrs Brigitte Salik and CRC Active Value Fund Ltd, holding 15.93% of THEOLIA's share capital and 15% of its voting rights (the “**Concert**”), confirmed its total support to the Restructuring Plan and said that it would vote in favor of the resolutions submitted to the vote of the shareholders.

The Concert indicated that it would enter into a commitment to subscribe on an irreducible and reducible basis, to the Capital Increase, in the amount of 10 million euros.

The portion of the Capital Increase not subscribed by the Concert (i.e. 50 million euros) will be subject to a guarantee by Boussard & Gavaudan pursuant to an underwriting agreement, which will have to be signed with THEOLIA. This underwriting agreement would have the usual conditions for this type of agreement.

THEOLIA's Board of Directors considers that the memorandum of understanding on the Restructuring Plan complies with THEOLIA's corporate interest as it will enable it to reinforce its shareholders' equity, to speed up its debt reduction and to continue as a going concern after January 1, 2015.

The implementation of the Restructuring Plan is notably subordinated to meeting the following conditions:

- compliance with a certain number of commitments made by THEOLIA to the benefit of Boussard & Gavaudan;
- the completion of a satisfactory confirmatory due diligence by Boussard & Gavaudan on specific and limited elements;
- the approval, by THEOLIA's general meeting of bondholders, before December 12, 2014, of (a) the terms of the Restructuring Plan and (b) the amendment of the terms of the Issuance Contract of the OCEANEs 2007;
- the approval, by THEOLIA's extraordinary general meeting of shareholders, before December 12, 2014 of (i) the terms of the Restructuring Plan, (ii) the amendment of the terms of the Issuance Contract of the OCEANEs 2007, (iii) the Capital Reduction and (iv) the Capital Increase;
- the subscription, on an irreducible and reducible basis, to the Capital Increase by the Concert in the amount of 10 million euros;
- the completion of the Capital Increase before March 6, 2015, subject to obtaining:
 - the approval of the AMF on the prospectus which will have to be drafted and provided by THEOLIA regarding the Capital Increase;
 - a waiver of the obligation to launch a mandatory tender offer in accordance with the provisions of articles 234-8 and 234-9, 2° of the AMF General Regulations;
- the absence of transaction on THEOLIA's share capital (unless as regards identified dilutive instruments) before the completion of a Capital Increase and of the partial early repayment; and
- as soon as the Capital Increase is definitively completed, the partial early repayment of the OCEANEs 2007 in the amount of 7.266 euros (increased by the accrued coupon) per OCEANE 2007.

In order to be duly approved, the resolutions presented to THEOLIA's general meeting of bondholders and general meeting of shareholders will have to gather at least two thirds of the voting rights attending or represented at these general meetings.

The Capital Increase should, in principle, be launched before the end of the year 2014, as soon as (i) the Restructuring Plan is approved by THEOLIA's general meeting of bondholders and general meeting of shareholders and (ii) the required approval of the AMF is obtained.

In case the Restructuring Plan is performed, THEOLIA will have:

- brought its remaining debt due with respect to the convertible bond to 66 million euros, repayable in four installments in compliance with the amended terms of the Issuance Contract of the OCEANES 2007. Repayment of the four installments will be made in the following manner (i) 1.702 euro as at January 1, 2017 per OCEANE 2007, (ii) 2.431 euros as at January 1, 2018 per OCEANE 2007, (iii) 1.945 euro as at January 1, 2019 per OCEANE 2007 and (iv) 5.685 euros as at January 1, 2021 per OCEANE 2007 (with the ability, for bondholders, to exercise their put option as at January 1, 2020 at the price of 1.945 euro per OCEANE 2007); and
- increased its equity by 60 million euros, it being specified that the impact on the Group's shareholders' equity of the restructuring of the convertible bond is being reviewed by THEOLIA's Statutory Auditors.

Detailed presentation of the various steps of the operation

Amendment of the Issuance Contract

Amendments, in favor of which Boussard & Gavaudan committed to voting during the general meeting of bondholders, read as follows:

- approval of the Restructuring Plan;
- amendment of the Issuance Contract which will have to be effective as from the approval of amendments to the Issuance Contract by THEOLIA's general meeting of bondholders and general meeting of shareholders:
 - amendment of the bondholder put option at the initiative of the holders of OCEANES 2007 as at January 1, 2015 provided for in section 4.9.5.1 of the Issuance Contract, in order to postpone it to April 1, 2015 (the "**Amended Put Option**");
- amendments which will have to be effective as from the definitive completion of the Capital Increase enabling the partial early repayment of the OCEANES 2007, the latter having to be performed before March 6, 2015:
 - partial early repayment of 7.266 euros per OCEANE 2007 to repay to the bondholders no later than ten trading days following the completion date of the Capital Increase (the "**Partial Early Repayment Date**"), plus the accrued coupon for each OCEANE 2007 until the Partial Early Repayment Date;
 - cancellation of the Amended Put Option;
 - amendment of the provisions of the Issuance Contract relating to the partial repayments, the adjusted par value, the conversion/exchange ratio and the conversion period:

Installment	From	To	Par value (in euros)	Conversion ratio (subject to standard adjustments)	Amount of the partial repayment per OCEANE (in euros)	Partial repayment date
1	Partial Early Repayment Date	December 31, 2016	11.764	9.222	1.702	January 1, 2017
2	January 1, 2017	December 31, 2017	10.062	7.266	2.431	January 1, 2018
3	January 1, 2018	December 31, 2018	7.630	4.472	1.945	January 1, 2019

It being specified that in compliance with the provisions of the Issuance Contract of the OCEANES 2007, the amount of the partial repayment for installments 1, 2 and 3 will be increased by the accrued coupon on the amount subject to partial repayment.

As from January 1, 2019, the par value of the OCEANES 2007 will be 5.685 euros. Between January 1, 2019 and December 31, 2019, the conversion ratio will be 2.236 (subject to standard adjustments). Bondholders will no longer be able to convert/exchange the OCEANES 2007 after the 10th business day preceding December 31, 2019.

The aforementioned conversion ratios will not be adjusted further to the completion of the Capital Increase.

- creation of a bondholder put option at the initiative of the holders of OCEANES 2007 as at January 1, 2020 at the repurchase price of 1,945 euro per OCEANE 2007;
- amendment of the bondholder put option at the initiative of the holders of OCEANES 2007 in the event of a change of control of THEOLIA for the repurchase price per OCEANE 2007 to be equal to:
 - 8.023 euros if the change of control occurs between the Partial Early Repayment Date and December 31, 2016;
 - 6.231 euros if the change of control occurs between December 31, 2016 and December 31, 2017;
 - 3.890 euros if the change of control occurs between December 31, 2017 and December 31, 2018; and
 - 1.945 euro if the change of control occurs after December 31, 2018;

the price to be paid per OCEANE 2007 being increased by the accrued coupon on the amount being subject to the partial repayment. Bondholders will not be able to exercise the bondholder put option for OCEANES 2007 in the event the Capital Increase would trigger a change of control (such as this term is defined in the Issuance Contract);

- the conversion/exchange period is amended so that the OCEANES 2007 may be converted/exchanged at any time, except during a period of 10 business days preceding January 1, 2017, January 1, 2018, January 1, 2019 and January 1, 2020, or (as the case may be), the Partial Early Repayment Date;
- amendment of the provisions relating to the coupon in the following manner:
 - payment on the Partial Early Repayment Date of the total amount of interests accrued until the Partial Early Repayment Date for each OCEANE 2007;
 - as from the Partial Early Repayment Date to December 31, 2016: 3.922% of the par value of the OCEANE 2007 (i.e. 11.764 euros) per annum. If the Partial Early Repayment Date is prior to January 1, 2015, the first interest period will be from the Partial Early Repayment Date to December 31, 2014. If the Partial Early Repayment Date is after January 1, 2015, the first interest period will be from the Partial Early Repayment Date to June 30, 2015;
 - from January 1, 2017 to December 31, 2017: 3.613% of the OCEANE 2007 par value, (i.e. 10.062 euros) per annum;
 - from January 1, 2018 to December 31, 2018: 2.932% of the OCEANE 2007 par value, (i.e. 7.630 euros) per annum;
 - from January 1, 2019 to December 31, 2019: 1.967% of the OCEANE 2007 par value, (i.e. 5.685 euros) per annum;
 - from January 1, 2020 to the repayment or repurchase of the OCEANES 2007 by THEOLIA: 0.1% per annum;
 - the coupon will be payable half-yearly on January 1 and July 1 of each year on the outstanding par value;
- provision of an undertaking of THEOLIA (i) not to pay any dividends to its shareholders as long as installments 1 and 2 have not occurred and (ii) once payment of installments 1 and 2 have occurred, not to pay any dividend until January 1, 2020 representing more than 50% of the distributable result (*profit distribuable*) of the previous fiscal year;

- provision of a ratchet clause in the event of the implementation of a purchase or exchange tender offer on the THEOLIA shares which may lead to a change of control of THEOLIA;
 - amendment of the period to exercise the early repayment in cash by THEOLIA (*call*) of the OCEANEs 2007. This early repayment call option may be exercised by THEOLIA:
 - at any time, as from January 15, 2018 and until the maturity date of the OCEANEs 2007, on all outstanding OCEANEs, at their par value, plus the accrued coupon from the immediately preceding interest payment date if the product from the conversion/exchange ratio effective as at that date and the arithmetic mean of the opening quoted prices on Euronext Paris calculated over a period of 20 consecutive trading days during which the shares are quoted as selected by THEOLIA from the 40 consecutive trading days immediately preceding the date of publication of a notice relating to such early repayment exceeds 130% of the OCEANE 2007 par value;
 - by repurchase of OCEANEs 2007 by THEOLIA and cancellation of the bonds repurchased or by tender offer initiated by THEOLIA on the OCEANEs 2007;
 - for all outstanding OCEANEs 2007 if there is less than 10% of the bonds outstanding;
- it being specified that the other provisions of the Issuance Contract of the OCEANEs 2007 (including the provisions relating to the dividend entitlement of the existing and new shares upon conversion) remain unchanged.

Additional conditions of the Capital Increase

The Capital Increase will be carried out at the highest price between:

- a 30% discount compared to THEOLIA's market price (this discount being calculated compared to the theoretical ex-right price);
- and 0.50 euro.

Conditions of the stock warrants (the "Stock Warrants")

- Exchange ratio: three (3) Stock Warrants for one (1) THEOLIA share
- Maturity: 18 months
- Strike price for Stock Warrants: 120% of the issue price

Stock warrants will be detachable from the shares with warrants issued by THEOLIA in the scope of the Capital Increase and will be freely transferable after issuance.

The new shares will be admitted to trading on Euronext Paris as from the date of issuance. Stock warrants will be admitted to trading on Euronext Paris as from the date of issuance. The new shares will be entirely assimilated to the existing ordinary shares admitted to trading on Euronext Paris.

Possible dilution of THEOLIA's shareholders

For information purposes, the impact of the Restructuring Plan to the share capital participation of a shareholder holding 1% of the share capital and not participating to the Capital Increase, according to the various possible issuing prices for the shares with respect to the Capital Increase, would be as follows:

Issue price	€0.50	€0.60	€0.70	€0.80	€0.90	€1.00
Percentage held after the Capital Increase	0.35%	0.39%	0.43%	0.46%	0.49%	0.52%
Percentage held after the exercise of Stock Warrants	0.29%	0.33%	0.36%	0.39%	0.42%	0.45%
Percentage held after the conversion/exchange of the OCEANEs 2007						
Until December 31, 2016	0.22%	0.24%	0.27%	0.29%	0.31%	0.33%
Until December 31, 2017	0.23%	0.26%	0.29%	0.31%	0.33%	0.35%
Until December 31, 2018	0.25%	0.28%	0.31%	0.34%	0.36%	0.38%
Until December 31, 2019	0.27%	0.30%	0.33%	0.36%	0.39%	0.41%

Shareholders holding 1% of THEOLIA's share capital and subscribing to the Capital Increase in the amount of their share: no dilution.

2 Key highlights of the first half of 2014

Beginning of the construction, financing and sale of the Haute Borne wind project in France

In April 2014, THEOLIA entered into a financing agreement for the Haute Borne wind project. This non-recourse long term loan is secured by the future cash flows that will be generated by the wind farm.

The Haute Borne wind project is located on the territory of the towns of Languevoisin-Quiquery, Breuil and Billancourt, in the Somme French department.

In order to carry out this project, THEOLIA selected wind turbines with a unit capacity of 3 MW, therefore bringing the total installed capacity of the future wind farm to 21 MW.

According to the planned schedule, construction works started during the first quarter of 2014.

The wind farm is planned to be commissioned during the second half of 2015.

In compliance with its co-investment strategy, THEOLIA sold this wind project to its investment vehicle THEOLIA Utilities Investment Company on June 13, 2014. After this sale, THEOLIA keeps an indirect interest in the Haute Borne wind project and is responsible for its construction and future operation on behalf of the investment vehicle.

Release of escrow of the Giunchetto wind farm in Italy

The escrow regarding 10 wind turbines of the Giunchetto wind farm (over the 35 wind turbines making up the wind farm) in effect as at the closing of the fiscal year was released on March 18, 2014.

Two wind turbines had been stopped pending the performance of compliance works. The works being completed, one of them has already returned to service and the second one will return to service in the immediate future.

Disposal of Seres Environnement

On March 27, 2014, THEOLIA sold Seres Environnement, a company operating in the field of designing and manufacturing instruments to measure and analyze air and water quality.

This disposal is part of THEOLIA's strategy to withdraw from its non-wind activities.

As part of the discontinued activities, Seres Environnement was consolidated in compliance with IFRS 5.

Disposal of the solar park

On May 30, 2014, THEOLIA sold its photovoltaic power plant located in the district of Merzig-Wadern in Saarland, Germany. This solar park, with a total output of 2.9 MWp, had been commissioned in December 2007.

With this new disposal, THEOLIA carries on its strategy to withdraw from its non-wind activities.

3 The Group's business activity over the first half of 2014

THEOLIA's consolidated financial statements for the first half of 2014 were approved by THEOLIA's Board of Directors during its meeting on August 26, 2014, in the presence of the Statutory Auditors.

The Statutory Auditors' report includes the following remark: "Without qualifying our conclusion, we draw your attention to the following points:

- note 2 to the consolidated half-year summary financial statements "Accounting principles and valuation methods" which presents the conditions enabling the Company to continue as a going concern; and
- note 3 "Change in the scope of consolidation and impact of the retrospective application of IFRSs 10 and 11" to the consolidated half-year summary financial statements which presents the impact of enforcement, as from January 1, 2014, of IFRSs 10 and 11."

CONSOLIDATED INCOME STATEMENT

<i>(in thousand euros)</i>	First half of 2014	First half of 2013 ⁽¹⁾
Revenue	51,684	46,143
EBITDA ⁽²⁾	31,595	24,710
Current operating income	12,939	5,827
Operating income	7,771	3,301
Financial income	(17,144)	(20,691)
Net income of the consolidated Group	(9,946)	(17,820)
Of which Group share	(10,894)	(11,723)

⁽¹⁾ Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

⁽²⁾ EBITDA = current operating income + amortization and non-operational risk provisions.

Consolidated revenue

THEOLIA's consolidated revenue for the first half of 2014 reached 51.7 million euros, an increase of + 12% compared to the first half of 2013.

<i>(in thousand euros)</i>	Wind activities			Non-wind activity	Consolidated total
	Sales of electricity for own account	Operation	Development, construction, sale		
First half of 2014	47,822	3,192	172	498	51,684
First half of 2013 ⁽¹⁾	40,326	3,193	2,076	549	46,143
Change	+ 19%	-	- 92%	- 9%	+ 12%

⁽¹⁾ Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

As it benefited from favorable wind conditions during the first quarter of 2014, in Germany and France, as well as from a positive scope effect related to the consolidation of Breeze Two Energy over 6 months in 2014, compared to 5 months in 2013, the revenue from the **Sales of electricity for own account** activity reached 47.8 million euros for the first half of 2014, an increase of + 19% compared to the first half of 2013.

The Sales of electricity for own account activity, which relies on 15- to 20-year electricity buy-back contracts, benefits from a recurring revenue and significant margins over the long term. This secure activity accounted for 93% of the consolidated revenue for the first half of 2014.

Despite the decrease in capacities operated for third parties, the revenue from the **Operation** activity remained stable compared to the first half of 2013, recording 3.2 million euros for the first half of 2014.

The revenue from the **Development, construction, sale** activity includes the income from the sale of projects or operating wind farms, as well as from development and construction services carried out on behalf of third parties. Historically high, the revenue from this activity declined sharply over the past four years, in line with the Group's strategy to reduce the pace of disposals of wind farms and projects, to favor recurring income from the sales of electricity for own account.

For the first half of 2014, the revenue from the Development, construction, sale activity came to 172 thousand euros, as the Group did not sell any wind farms and projects to third parties.

The revenue from the **non-wind activity** includes the income generated by the sales of electricity produced by the solar farm in Germany. It is reminded that this solar park was sold on May 30, 2014.

For the first 5 months of 2014, the non-wind activity registered a revenue of 498 thousand euros, compared to 549 thousand euros for the first 6 months of 2013.

Supported by favorable wind conditions during the first quarter of 2014 and a positive scope effect, the main activity of the Group, namely the Sales of electricity for own account, recorded a + 19% growth compared to the first half of 2013. In total, the consolidated revenue increased by + 12% during the first half of 2014.

• EBITDA

THEOLIA's consolidated EBITDA recorded a strong increase of + 28% over the period. It reached 31.6 million euros for the first half of 2014, compared to 24.7 million euros for the first half of 2013. The consolidated EBITDA/consolidated revenue also increased from 54% for the first half of 2013 to 61% for the first half of 2014.

<i>(in thousand euros)</i>	Wind activities			Non-wind activity	Corporate	Consolidated total
	Sales of electricity for own account	Operation	Development, construction, sale			
First half of 2014	34,215	1,077	(4,326)	383	247	31,595
First half of 2013 ⁽¹⁾	27,927	1,029	(3,084)	(279)	(882)	24,710

(1) Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

The EBITDA for the **Sales of electricity for own account** activity reached 34.2 million euros for the first half of 2014, compared to 27.9 million euros for the first half of 2013. As the majority of operating expenses for this activity are fixed, the + 19% increase in revenue led to a + 23% improvement in EBITDA. The EBITDA/revenue margin for this activity totaled 72% for the first half of 2014. It was 69% for the first half of 2013.

The EBITDA for the **Operation** activity totaled 1.1 million euros for the first half of 2014, a + 5% increase compared to the first half of 2013.

Due to the absence of disposals to third parties and invoicing services to third parties, the EBITDA for the **Development, construction, sale** activity recorded a loss of 4.3 million euros over the first half of 2014. For the first half of 2013, the loss amounted to 3.1 million euros, reduced notably by the margins on the disposals of projects and construction services invoiced over the period.

The **Non-wind activity** recorded a 383 thousand euro EBITDA for the first 5 months of 2014, compared to a 279 thousand euro loss for the first 6 months of 2013. The first half of 2013 had notably been penalized by a 0.8 million euro risk provision.

The EBITDA for the **Corporate** activity reached 247 thousand euros for the first half of 2014 and benefited, in particular, from services invoiced to Breeze Two Energy. During the first half of 2013, this activity had registered a 882 thousand euro loss.

With an EBITDA increasing more than the revenue over the period, THEOLIA carries on its dynamics to continuously improve its operational profitability: the consolidated EBITDA/consolidated revenue margin reached 61% for the first half of 2014.

The Group's main activity, namely the Sales of electricity for own account, recorded a + 23% increase in its EBITDA.

- **Operating income**

<i>(in thousand euros)</i>	First half of 2014	First half of 2013 ⁽¹⁾
EBITDA	31,595	24,710
Amortization	(18,806)	(19,122)
Impairment	(4,000)	(721)
Other	(1,018)	(1,566)
Operating income	7,771	3,301

(1) Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

The vast majority of amortization is related to wind farms held and controlled by the Group. With a similar capacity over the two half years considered, amortization is stable.

During the first half of 2014, the Group recorded impairment in the amount of 4.0 million euros, in order to take into account the worsening situation of some investments performed before 2009 in Italy.

Despite the negative impact of non-recurring items, the operating income more than doubled, reaching 7.8 million euros for the first half of 2014, compared to 3.3 million euros for the first half of 2013.

- **Financial income**

The Group's financial income represented a net cost of 17.1 million euros for the first half of 2014, compared to a net cost of 20.7 million euros for the first half of 2013. It is reminded that during the first half of 2013, the Group depreciated some financial assets for a cumulated amount of 2.5 million euros, included in the "Other" item hereunder.

<i>(in thousand euros)</i>	First half of 2014	First half of 2013 ⁽¹⁾
Net interest cost related to the convertible bond	(7,529)	(6,892)
Net interest cost related to operating wind farm financing	(9,458)	(11,640)
Other	(157)	(2,159)
Financial income	(17,144)	(20,691)

(1) Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

In compliance with IFRSs, the net interest cost related to the convertible bond increased again over the period. It includes, for the first half of 2014, interests accrued in the amount of 2.1 million euros, as well as an additional non-cash interest cost of 5.4 million euros, due to the convertible nature of the bond. This additional interest cost amounted to 4.8 million euros for the first half of 2013.

The net interest cost related to operating wind farm financing recorded a decrease over the first half of the year. Part of that decrease results from the normal repayment of project financing, reducing over the years the corresponding interest cost.

As the finalization of the valuation of the fair value of Breeze Two Energy's liabilities, performed for the closing of fiscal year 2013, led to the downward revision of Breeze Two Energy's liabilities, interests on Breeze Two Energy's bond debt decreased consequently.

- **Net income of the consolidated Group**

In total, the net income of the consolidated Group for the first half of 2014 was a loss of 9.9 million euros, compared to a loss of 17.8 million euros for the first half of 2013.

DEBT AND CASH POSITION

Net financial debt reached 383.5 million euros as at June 30, 2014. Between December 31, 2013 and June 30, 2014, the net financial debt decreased by 25.9 million euros, as the Group reduced its financial debt by 7.6 million euros, while increasing its cash resources by 18.4 million euros.

<i>(in thousand euros)</i>	2014/06/30	2013/12/31 ⁽¹⁾
Project financing	(135,703)	(147,149)
Bonds related to Breeze Two Energy	(214,700)	(223,519)
Convertible bond	(122,307)	(119,011)
Other financial liabilities	(25,630)	(16,216)
Cash and cash equivalents	99,737	84,822
Other financial assets	15,099	11,623
Net financial debt	(383,504)	(409,450)

(1) Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

Project financing fell by 11.4 million euros over the half year, mainly reflecting normal amortization. The draw-down on the Haute Borne wind farm financing, required to carry on the construction, was offset by the withdrawal from the scope of consolidation of the solar park sold, and therefore the corresponding loan.

It is reminded that project financing is non-recourse or with limited recourse against the parent company. Each special purpose vehicle holding a wind farm directly takes out financing with the bank and ensures reimbursement through the cash flows generated by the operation of the wind farm.

Bonds related to Breeze Two Energy also decreased by 8.8 million euros, also reflecting the amortization of their par value.

It is reminded that bonds related to Breeze Two Energy are only guaranteed by the cash flows generated by the operation of Breeze Two Energy's wind farms and are without recourse on THEOLIA.

To the contrary, in compliance with IFRSs, the convertible bond increased by 3.3 million euros, specifically further to the recognition of additional non-cash interests of 5.4 million euros, due to the convertible nature of the bond.

When project financing has a variable rate, it is subject to rate hedging via an interest rate swap. The fair value of swaps is evaluated at each closing and is included in the "Other financial liabilities" item, in the amount of 9.1 million euros as at June 30, 2014, showing a 1.9 million euro increase compared to December 31, 2013.

The balance of "Other financial liabilities" item, i.e. 16.5 million euros, corresponds to financing brought by the investment vehicle THEOLIA Utilities Investment Company to its three wind farms. It is reminded that since the enforcement of the new IFRSs 10 and 11, wind farms held by THEOLIA Utilities Investment Company are accounted using the global integration method and their parent company, THEOLIA Utilities Investment Company, is accounted using the equity method. This share of the "Other financial liabilities" item recorded an increase of 7.5 million euros, mainly further to the acquisition of its third project, the Haute Borne wind project, by THEOLIA Utilities Investment Company during the first half of 2014.

The Group's cash position recorded a net increase of 14.9 million euros between the end of 2013 and June 30, 2014.

<i>(in thousand euros)</i>	2014/06/30	2013/12/31 ⁽¹⁾
Free cash	25,669	26,765
Cash reserved for special purpose vehicles	35,069	26,574
Pledged cash	38,999	31,483
Total cash and cash equivalents	99,737	84,822

(1) Restated in compliance with the new IFRSs 10 and 11 enforceable retrospectively as at January 1, 2014.

Finally, « Other financial assets » include the loans and receivables granted to subsidiaries accounted using the equity method, i.e. the investment vehicle THEOLIA Utilities Investment Company and the Aerochetto company, bearing the Giunchetto wind farm.

4 Significant events after the date of closing of the half-year financial statements

THEOLIA secured a new building permit in France

In July 2014, THEOLIA obtained a new building permit free from any third-party claim for the installation of 7 wind turbines in the Charente-Maritime department in France. As long as the turbine type is not selected, the future wind farm's total capacity is estimated to 21 MW.

In total, THEOLIA holds 227 MW in its pipeline which already received all necessary authorizations.

Disposal of a wind farm in Germany

In August 2014, THEOLIA sold a 6 MW wind farm in Germany.

The Company requested Euronext Paris to suspend the listing of THEOLIA's shares and bonds as from August 26, 2014. The listing resumption will be subject to a financial notice from Euronext Paris, also available on THEOLIA's website.

THEOLIA's 2014 half-year financial report will be made available to the public and filed with the French *Autorité des Marchés Financiers*, on August 26, 2014 at 10 a.m. It will be available on the Group's website, section "Finance/Financial reports & presentations".

A presentation will also be available on the Group's website, in the same section, as from August 26, 2014 at 10 a.m.

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 countries: Germany, France, Morocco and Italy. In total, the Group operates 1,213 MW for its own account and for third parties.

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THEOLIA

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