theolia

2013

Half year financial report

theolia

Agenda

HALF YEAR ACTIVITY REPORT

1 Key highlights of the first half of 2013

THEOLIA takes control of Breeze Two Energy

End of January 2013, THEOLIA took control of Breeze Two Energy GmbH and Co. KG (“Breeze Two Energy”), a German company which holds and operates wind farms for its own account for a total of 337 MW, of which 311 MW are located in Germany and 26 MW in France. Almost all of those farms were commissioned between 2006 and 2008. They all benefit from long-term electricity purchase agreements (20-year contracts in Germany and 15-year contracts in France). Taking control of new wind farms in operation in Germany and France enables THEOLIA to significantly enhance its operational position in its two historical countries.

In 2012, Breeze Two Energy registered a revenue of €46 million, entirely generated through sales of electricity, and an EBITDA of €31.6 million.

Breeze Two Energy is a limited partnership controlled by its General Partner, Breeze Two GmbH. Breeze Two Energy’s wind farms were financed through a bond issue, performed in 2006 and divided in three categories: A, B and C, the Class A bond debt being the senior debt.

BGE Investment S.à.r.l. (“BGEI”), a subsidiary wholly owned by THEOLIA, purchased 70% of the Class C bonds, as well as various rights including the right to indirectly appoint Breeze Two GmbH’s Managing Director. Fady Khallouf, THEOLIA’s CEO, was also appointed Managing Director of Breeze Two GmbH. These new functions grant him the power to manage Breeze Two Energy. Breeze Two Energy has been therefore fully consolidated in THEOLIA’s financial statements as from January 31, 2013.

This transaction amounts to €35.5 million, mostly financed by a vendor loan amounting to €34 million, due in 2026, and by cash for €1.5 million. This loan was taken out by BGEI and is without recourse towards the parent-company, THEOLIA. A part of that debt could nevertheless be guaranteed by THEOLIA in the future, according to the levels of cash-flows generated by Breeze Two Energy which will be available to THEOLIA.

THEOLIA intends to create significant operational synergies with Breeze Two Energy, in particular by performing the future management of Breeze Two Energy’s wind farms, which is today subcontracted to third parties. This new organization is currently being implemented, which requires mastering specific constraints for Breeze Two Energy.

New building permit obtained in France

Having obtained a building permit without recourse since November 2012, the Chemin Perré project was still on hold pending the creation of a wind power development zone (“Zone de développement éolien”, ZDE) in order to benefit from the regulatory feed-in tariff.

Adopted in April 2013, the Brottes Act cancelled the ZDE procedure and therefore removed the last administrative obstacle to the implementation of this project.

The Chemin Perré project is located on the Nogentais community of communes, on the territory of the towns of Montpothier and Villenauxe-la-Grande, in the Aube French department.

It will include 9 wind turbines, for a total estimated capacity of 23 MW.

Beginning of the construction of a project in France

In late 2011, THEOLIA obtained a building permit without recourse to install the Hautes Bornes wind farm on the territory of the towns of Languevoisin-Quiquery, Breuil and Billancourt, in the Somme French department. The building permit provides for the installation of 7 wind turbines.

During the first half of 2013, THEOLIA selected and ordered 3 MW wind turbines to perform this project, therefore bringing the total installed capacity of the future wind farm to 21 MW.

Escrow of the Giunchetto wind farm in Italy

In the context of investigations led by the Nicosia public prosecutor against former executives of the Aerochetto S.r.l company, a 51% subsidiary of THEOLIA, for infringements related to the acoustic impact of the Giunchetto wind farm and to alleged defects in the farm's construction, the wind farm was preventively put in escrow by the judge of the preliminary investigation on April 24, 2013.

By a decision dated June 13, 2013, this measure was confirmed by the Court of Enna, which based its decision on the acoustic issue.

The prosecutor authorized the Aerochetto company to perform remedial works on the wind farm related to issues which were partially the grounds for the initial escrow request, and asked an expert to perform new sound measurements on July 5 and 15, 2013.

On August 8, 2013, the Aerochetto company obtained the release of escrow of 25 wind turbines (over 35 wind turbines composing the wind farm), enabling starting again their operation as soon as August 9, 2013.

The Aerochetto company is pursuing its best efforts to obtain the release of escrow of the remaining 10 wind turbines as soon as possible.

2 The Group's business activity over the first half of 2013

THEOLIA's consolidated financial statements for the first half of 2013 were approved by THEOLIA's Board of Directors during its meeting on August 28, 2013, in the presence of the Statutory Auditors. They include Breeze Two Energy, fully consolidated as from January 31, 2013.

CONSOLIDATED INCOME STATEMENT

(in thousand euros)	**First half of 2013**	**First half of 2012**
Revenue	46,537	35,821
EBITDA (1)	24,270	15,899
Current operating income	5,758	6,964
Operating income	4,054	5,630
Financial income	(21,108)	(14,244)
Net income of the consolidated Group	(17,560)	(10,291)
Of which Group share	(11,676)	(9,920)

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

- **Consolidated revenue**

The Group's consolidated revenue amounted to €46.5 million for the first half of 2013, including Breeze Two Energy as from January 31, 2013, up by +30% compared to the first half of 2012. Its breakdown by activity for the two half-year periods is as follows:

(in thousand euros)	Wind activities			Non-wind activity (1)	Consolidated total
	Sales of electricity for own account	Operation	Development, construction, sale		
First half of 2013	40,392	3,300	2,295	549	46,537
First half of 2012	26,318	3,447	5,319	736	35,821
Change	+ 53%	- 4%	- 57%	- 25%	+ 30%

(1) Excluding Environment activities.

The revenue from the **Sales of electricity for own account** activity reached €40.4 million for the first half of 2013, an increase of +53% compared to the first half of 2012. This achievement is related to the consolidation of Breeze Two Energy as from January 31, 2013, which contributed to the activity's revenue in the amount of €16.7 million. Excluding Breeze Two Energy, the revenue from this activity amounted to €23.7 million, a 10% decrease compared to the first half of 2012. The activity for this half year is still penalized by less favorable wind conditions during the first quarter of 2013 than during the first quarter of 2012, and from negative scope effects in Germany and France, related to disposals performed in 2012.

As at June 30, 2013, installed and controlled capacities for own account reached 644 MW, including Breeze Two Energy, compared to 304 MW as at June 30, 2012.

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 accounts for 87% of the consolidated revenue for the first half of 2013.

The revenue from the **Operation** activity amounted to €3.3 million for the first half of 2013, a 4% decrease compared to the first half of 2012. The Operation activity was also penalized by less favorable wind conditions during the first quarter of 2013 than during the first quarter of 2012 in Germany.

As at June 30, 2013, capacities managed for third parties reached 625 MW, compared to 599 MW as at June 30, 2012.

The revenue from the **Development, construction, sale** activity includes the revenue from the sale of projects or operating wind farms, as well as the invoicing of development and construction services performed for third parties. The revenue from this activity decreased, in line with the Group's strategy to reduce the pace of wind farm and project disposals. For the first half of 2013, the revenue from this activity came to €2.3 million.

The **Non-wind** activity registered a revenue of €549 thousand for the first half of 2013, produced by the solar park in Germany.

EBITDA

THEOLIA's consolidated EBITDA strongly increased during the period. It reached €24.3 million for the first half of 2013, including Breeze Two Energy as from January 31, 2013, compared to €15.9 million for the first half of 2012. The consolidated EBITDA margin on the consolidated revenue also increased from 44% for the first half of 2012 to 52% for the first half of 2013. Its breakdown by activity during the two half-year periods is as follows:

(in thousand euros)	**Wind activities**			**Non-wind activity**	**Corporate**	**Consolidated total**
	Sales of electricity for own account	Operation	Development, construction, sale			
First half of 2013	27,652	1,029	(3,123)	(279)	(1,008)	24,270
First half of 2012	19,344	1,021	(4,830)	675	(310)	15,899

EBITDA for the **Sales of electricity for own account** activity reached €27.7 million for the first half of 2013, up by +43% compared to the first half of 2012. This achievement is related to the consolidation of Breeze Two Energy as from January 31, 2013, which contributed to the EBITDA of the activity in the amount of €11.4 million.

For the first half of 2013, EBITDA for the **Operation** activity totaled €1 million, in line with the first half of 2012.

EBITDA for the **Development, construction, sale** activity improved during the first half of the year. Margins on the disposals of projects and construction services partially offset development costs. Moreover, EBITDA for this activity benefited from the positive net effect of provision reversals in the amount of €0.3 million, due to former issues being solved.

EBITDA for the **Non-wind activity** showed a loss of €0.3 million for the first half of 2013. This activity was notably penalized by a €0.8 million risk provision.

EBITDA for the **Corporate** activity registered a loss of €1 million for the first half of 2013, compared to a loss of €0.3 million for the first half of 2012.

Operating income

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

(in thousand euros)	**First half of 2013**	**First half of 2012**
EBITDA	24,270	15,899
Allocations to amortization	(18,751)	(8,752)
Impairment	(618)	(841)
Other	(847)	(676)
Operating income	4,054	5,630

The strong increase in amortization is mainly due to the consolidation of Breeze Two Energy, the amortization of which, after restatement, is recorded according to a linear method, over 20 years in Germany and 15 years in France. From January 31, 2013 to June 30, 2013, Breeze Two Energy's wind farm amortization reached €9.7 million.

- **Financial income**

The Group's financial income represented a net cost of €21.1 million for the first half of 2013, compared to a net cost of €14.2 million for the first half of 2012.

(in thousand euros)	**First half of 2013**	**First half of 2012**
Net interest cost related to the convertible bond calculated with the effective interest rate	(6,892)	(6,545)
Net interest cost related to operating wind farm financing	(11,403)	(4,561)
Impact of the debt restructuring of some operating wind farms in France	-	(1,987)
Depreciation of financial assets	(2,461)	-
Other	(352)	(1,151)
Financial income	(21,108)	(14,244)

The net interest cost related to the convertible bond amounted to €6.9 million, in line with the first half of 2012. It includes, for the first half of 2013, interest accrued over the period, totaling €2.1 million, as well as an additional non-cash interest cost of €4.8 million, due to the convertible nature of the bond.

The net interest cost related to operating wind farm financing strongly increased during the first half of 2013, as it includes, in addition to the net bank interests on project financing bank loans, the net interests on Breeze Two Energy's bonds as from January 31, 2013. This additional cost amounted to €7.6 million and included interests on Class A bonds, interests on Class B bonds and 30% of interests on Class C bonds.

Moreover, during the first half of 2013, the Group depreciated some financial assets for a cumulated amount of €2.5 million. During the first half of 2012, the restructuring of the main operating wind farms' debt in France had resulted in a non-recurring financial cost of €2 million.

- **Net income of the consolidated Group**

In total, the net income of the consolidated Group for the first half of 2013 was a loss of €17.6 million, compared to a loss of €10.3 million for the first half of 2012.

Consolidating Breeze Two Energy over 5 months negatively impacted the net income of the consolidated Group in the amount of €5.9 million.

DEBT AND CASH POSITION

Net financial debt reached €470.5 million as at June 30, 2013 and broke down as follows:

(in thousand euros)	**2013/06/30**	**2012/12/31**
Project financing	(164,123)	(172,647)
Breeze Two Energy's bond	(269,465)	-
Convertible bond	(112,001)	(109,358)
Other financial liabilities	(14,255)	(16,445)
of which derivative hedging instruments (interest rate swap)	*(8,836)*	*(11,192)*
Cash and cash equivalents	84,824	69,171
Current financial assets	4,552	4,569
Net financial debt	(470,468)	(224,710)

Project financing fell by €8.5 million during the half-year period, as part of its normal amortization. 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.

This project financing consists of fixed rate or variable rate loans. When debt has a variable rate, it may be subject to hedging through an interest rate swap agreement. The fair value of interest rate hedging instruments amounted to €8.8 million as at June 30, 2013.

As at June 30, 2013, a wind farm in Italy was in technical breach of covenants included in its project financing agreement. In compliance with IAS 1 standard, the entire debt related to this wind farm and the associated swap were therefore recorded in current financial debt for €24.1 million.

As at June 30, 2013, Breeze Two Energy's debt, as consolidated in THEOLIA's financial statements, amounted to €269.5 million, corresponding to the temporary fair value of the Class A, B and C bonds of Breeze Two Energy, the Class C bonds being only integrated up to 30%. In compliance with the IFRS 3R standard, the Group has twelve months as from the date of the transaction to finalize the allocation of the purchase price to Breeze Two Energy's assets, liabilities and contingent liabilities. Given the size and complexity of the transaction, the allocations recognized as at June 30, 2013 were determined provisionary and may be reviewed based on the final valuation of fair values.

The €34 million vendor loan, entered into by BGEI to take control of Breeze Two Energy, is due in 2026 and is without recourse against the parent company, THEOLIA. It was registered in "Other non-current liabilities" in the balance sheet.

The convertible bond increased by €2.6 million, specifically following the recording of additional non-cash interests of €4.8 million, due to the convertible nature of the bond.

As at June 30, 2013, the cash assigned to a swap contract relating to the OCEANEs and recorded, according to IFRS standards, in "Current financial assets" amounted to €4.6 million.

The cash position breaks down as follows:

(in thousand euros)	**2013/06/30**	**2012/12/31**
Free cash	24,025	27,969
Cash reserved for special purpose vehicles	40,408	21,514
Pledged cash	20,391	19,688
Total cash and cash equivalents	84,824	69,171
Current financial assets	4,552	4,569
Total cash	89,377	73,740

3 Significant events after the date of closing of the half year financial statements

Takeover offer on THEOLIA initiated by Macquarie

On July 8, 2013, MEIF 4 AX HOLDINGS SAS (the “Offeror”), which is controlled by Macquarie European Infrastructure Fund 4 (“MEIF 4”), an investment fund dedicated to long-term infrastructure investment with extensive experience in the renewable energy sector in Europe, filed a friendly takeover offer for THEOLIA.

This offer was approved on July 23, 2013 by the French Stock Exchange Authority (“AMF”).

The offer is open from July 26, 2013 to September 6, 2013 inclusive.

The offer aims to give THEOLIA a long-term majority shareholder that will provide stability in a difficult economic and regulatory environment. If the offer is successful, THEOLIA will thus be able to plan for repayment of its convertible bonds ahead of the early redemption date of January 1, 2015, and to pursue its development plans.

The offer includes all existing shares of THEOLIA (consolidated and non-consolidated shares) and all outstanding OCEANEs and stock warrants.

The prices offered for all the securities targeted by the offer are as follows:

- 1.70 euro per share, offering a 51.8% premium over the last share price prior to the announcement and a 40.8% premium over the volume-weighted average price over the month prior to the announcement (i.e. on July 5, 2013);
- 0.85 euro per non-consolidated share;
- 15.29 euros per OCEANE, plus the accrued coupon, offering a 51.6% premium over the last trading price prior to the announcement and a 49.0% premium over the volume-weighted average price over the month prior to the announcement (i.e. on July 5, 2013); and
- 0.002 euro per stock warrant.

The offer has been considered as fair from a financial standpoint by the Board-appointed independent expert. THEOLIA’s Board of Directors considers the offer to be in the interest of the THEOLIA Group, its shareholders, the holders of OCEANEs and stock warrants, and its employees.

The offer is dependent on receiving, at the end of the offer, at least 2/3 of the Company's voting rights, both on a diluted and non-diluted basis. If this condition is not met, the offer will lapse.

The Offeror reserves the right to implement a squeeze-out following the offer if the relevant thresholds are met.

Details on the offer are provided in the offer document and the offer document in response having received respectively the visas No. 13-405 and No. 13-406 of the AMF on July 23, 2013, which are available on the AMF's website (www.amf-france.org).

4 Main risks and uncertainties for the second half of 2013

As at June 30, 2013, the risk factors are of the same nature as exposed in the Company's 2012 Registration Document (pages 93 to 107) filed with the AMF on April 29, 2013 under number D.13-0467. This document was completed by the "other information" document on THEOLIA, filed on July 24, 2013 with the AMF, within the framework of the ongoing takeover offer described in Section 3 of this Half year financial report.

5 Main transactions between related parties

During the first half of 2013, relations between the THEOLIA Group and the related parties were comparable to those of 2012. Specifically, no transactions that were unusual in terms of their nature or amount, occurred during this period.

CONSOLIDATED HALF YEAR SUMMARY FINANCIAL STATEMENTS

1 Income statement

INCOME STATEMENT (in thousand euros)	Notes	2013/06/30	2012/06/30
Revenue		**46,537**	**35,821**
Change in inventories of finished goods and work in progress		(2,180)	(6,555)
External expenses		(14,728)	(10,168)
Tax		(1,053)	(854)
Staff costs		(4,905)	(4,638)
Amortization	7	(18,751)	(8,752)
Current provisions		1,177	1,203
Other operating income and expenses		(338)	906
Current operating income		**5,758**	**6,964**
Non-current provisions		(209)	-
Other non-current income and expenses		(873)	(497)
Share in income of associates		(4)	4
Operating income (before impairment)		**4,672**	**6,471**
Impairment		(618)	(841)
OPERATING INCOME (after impairment)		**4,054**	**5,630**
Cost of net financial debt	8	(18,767)	(11,693)
Other financial income		750	288
Other financial expenses	8	(3,091)	(2,839)
Net financial income		**(21,108)**	**(14,244)**
Corporate tax expenses		(292)	(896)
Net income from continuing operations		**(17,346)**	**(9,510)**
Net income for the year from discontinued activities	14	(214)	(781)
NET INCOME of the consolidated Group		**(17,560)**	**(10,291)**
Of which Group share		(11,676)	(9,920)
Of which non-controlling interest		(5,884)	(371)
Earnings per share of the consolidated Group (in euros)		(0.18)	(0.16)
Diluted earnings per share of the consolidated Group (in euros)		(0.05)	(0.03)

2 Comprehensive income

COMPREHENSIVE INCOME (in thousand euros)	2013/06/30	2012/06/30
NET INCOME of the consolidated Group	**(17,560)**	**(10,291)**
Fair value on derivative instruments	2,189	(368)
Defered tax	(567)	(163)
Items reclassifiable to net income	**1,622**	**(531)**
Foreign exchange differences	297	292
Items not reclassifiable to net income	**297**	**292**
COMPREHENSIVE INCOME	**(15,641)**	**(10,530)**

3 Balance sheet

ASSETS (in thousand euros)	Notes	2013/06/30	2012/12/31
Goodwill	9	39,489	39,489
Intangible assets	10	72,792	66,209
Tangible assets	11	563,354	270,735
Non-current financial assets		16,001	17,928
Deferred tax assets		2,974	2,787
NON-CURRENT ASSETS		**694,610**	**397,148**
Inventories and work in progress	12	7,289	14,934
Trade and other receivables		18,711	21,221
Other current assets		29,943	15,346
Tax receivables		1,918	4,325
Current financial assets		4,552	4,569
Cash and cash equivalents	13	84,824	69,171
CURRENT ASSETS		**147,238**	**129,566**
Assets classified as held for sale		11,862	11,404
TOTAL ASSETS		**853,710**	**538,118**

EQUITY AND LIABILITIES (in thousand euros)	Notes	2013/06/30	2012/12/31
Share capital	15	90,852	90,840
Share premiums		305,663	305,654
Retained earnings		(228,869)	(196,811)
Net income of the consolidated scope, Group share		(11,676)	(34,206)
Shareholders' equity - Group share		**155,970**	**165,477**
Non-controlling interests		(14,720)	66
SHAREHOLDERS' EQUITY		**141,250**	**165,543**
Non-current financial liabilities	16	498,168	250,868
Provisions - non-current share		22,807	13,006
Retirement benefit obligation		218	186
Deferred tax liabilities		40,035	14,126
Other non-current liabilities		36,833	2,833
NON-CURRENT LIABILITIES		**598,061**	**281,019**
Current financial liabilities	16	61,675	47,581
Provisions - current share		-	39
Trade and other payables		30,383	31,872
Tax and social security liabilities		13,682	3,697
Current corporate tax liabilites		639	565
CURRENT LIABILITIES		**106,379**	**83,754**
Liabilities directly associated with assets classified as held for sale		8,020	7,802
TOTAL EQUITY AND LIABILITIES		**853,710**	**538,118**

4 Cash flow statement

(in thousand euros)	2013/06/30	2012/06/30
NET INCOME of the consolidated Group	**(17,560)**	**(10,292)**
Net income for the year from discontinued activities	214	781
Elimination of amortization, depreciation and provisions	23,142	9,705
Elimination of change in deferred tax	675	922
Elimination of capital gains/losses from disposals	430	58
Elimination of the share in income of associates	4	(4)
Financial expenses	18,415	12,752
Other income and expenses with no effect on cash	351	895
Gross cash flow	**25,672**	**14,817**
Change in working capital requirements	3,297	12,926
Corporate tax paid	1,711	765
Cash flows from discontinued activities	(1,068)	(744)
NET CASH FLOW FROM OPERATING ACTIVITIES	**29,611**	**27,764**
Acquisitions of fixed assets	(5,833)	(11,783)
Disposals of fixed assets	34	2,216
Change in loans granted	131	(4,687)
Effect of change in scope of consolidation: subsidiary acquisitions net of cash acquired	23,730	94
NET CASH FLOW FROM INVESTING ACTIVITIES	**18,050**	**(14,160)**
Treasury shares	(82)	-
Increase (decrease) in share capital	-	(77)
Increase in loans and other debt	2,863	5,071
Repayments of loans and other debt	(19,243)	(20,055)
Interest paid	(15,546)	(10,427)
NET CASH FLOW FROM FINANCING ACTVITIES	**(32,009)**	**(25,488)**
Effect of change in exchange rates	-	(23)
CHANGE IN CASH AND CASH EQUIVALENTS	**15,653**	**(11,906)**
Net cash and cash equivalents – opening balance	69,171	87,831
Net cash and cash equivalents – closing balance	84,824	75,926
CHANGE IN CASH AND CASH EQUIVALENTS	**15,653**	**(11,906)**

5 Statement of changes in shareholders' 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 interest	Total Shareholders' equity
As at 2011/12/31	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)
Increase in share capital						-		-
Decrease in share capital	(38,413)				38,413	-		-
Bond conversions	92	33			-	126		126
Share-based payment	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 at 2012/06/30	89,628	304,791	710	(4,104)	(203,150)	187,876	(3,173)	184,703
Expenses and income directly recorded under shareholders' equity			33	(807)		(774)		(774)
Net Income of the consolidated scope, Group share					(24,286)	(24,286)	340	(23,946)
Comprehensive income	-	-	33	(807)	(24,286)	(25,059)	340	(24,719)
Increase in share capital						-		-
Decrease in share capital	-				-	-		-
Bond conversions	1,211	864			-	2,075		2,075
Share-based payment	-	-			93	93		93
Treasury shares	2	-			(150)	(148)		(148)
Transactions between shareholders					66	66	2,952	3,018
Other reclassifications					576	576	(53)	523
As at 2012/12/31	90,841	305,654	743	(4,910)	(226,851)	165,478	66	165,544
Expenses and income directly recorded under shareholders' equity			297	1,621		1,918		1,918
Net Income of the consolidated scope, Group share					(11,676)	(11,676)	(5,884)	(17,560)
Comprehensive income	-	-	297	1,621	(11,676)	(9,757)	(5,884)	(15,641)
Increase in share capital						-		-
Decrease in share capital					-	-	-	-
Expenses paid for increase in share capital						-		-
Bond conversions	11	9			-	20		20
Share-based payment					314	314		314
Treasury shares					(89)	(89)		(89)
Transactions between shareholders					-	-		-
Other reclassifications					4	5	(8,902)	(8,897)
As at 2013/06/30	90,852	305,663	1,041	(3,289)	(238,298)	155,970	(14,720)	141,250

6 Notes to the consolidated half year summary financial statements

Note 1. General information

The THEOLIA company (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, 2013 and ended on June 30, 2013.

The Group's summary financial statements were approved by the Board of Directors on August 28, 2013.

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 at June 30, 2013 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at that date.

The summary half year financial statements for the period ended June 30, 2013 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, 2012.

The summary consolidated financial statements are established using the accounting principles and methods applied by the Group to the financial statements for fiscal year 2012 (described in Note 2 to the consolidated financial statements as at December 31, 2012), with the exception of the following standards and amendments to the standards applicable as from January 1, 2013:

Standard	Description	Potential impact on the Group's financial statements
Amendment IAS 1	Presentation of items of other comprehensive income	Those amendments and interpretations have no impact on these financial statements
Amendment IAS 19	Employee benefits	
Amendment IAS 12	Deferred Tax: Recovery of Underlying Assets	
Amendment IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities	
IFRS 13	Fair Value Measurement	
Annual Improvements 2009-2011	Annual improvements of IFRS standards published in May 2012	

Use of estimates

The preparation of the half year financial statements, in compliance with the conceptual framework of 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 financial statements and information subject to significant estimates notably relate to intangible assets, tangible assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and charges 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 its past experience and factors considered as relevant due to the economic context.

These items were explained in detail in the 2012 Registration Document published on April 29, 2013.

Note 3. Changes in the scope of consolidation

Scope of consolidation

For the first half of 2013, the scope of consolidation included, in addition to the parent company:

- 105 companies subject, directly or indirectly, to exclusive control;
- 6 companies subject to joint control; and
- 2 companies in which it has a significant influence.

During the first half of 2013, the Group performed, on January 31, a major acquisition of control leading to the consolidation of several operating wind farms located in France and Germany for a capacity of 337 MW. Impacts on the Group's financial statements are mentioned in notes 4 and 5 entitled respectively "Business combination" and "Pro forma information".

Note 4. Business combination

On January 31, 2013, the Group took control of Breeze Two Energy, a German company which holds and operates wind farms for its own account, for a total capacity of 337 MW, of which 311 MW are located in Germany and 26 MW in France. Breeze Two Energy is a limited partnership controlled by its General Partner, Breeze Two GmbH.

The Group purchased 70% of Breeze Two Energy's Class C bonds as well as the right to indirectly appoint Breeze Two GmbH's Managing Director. Fady Khallouf, THEOLIA's CEO, was also appointed Managing Director of Breeze Two GmbH. These new functions grant him the power to manage Breeze Two Energy.

It is the IAS 27 standard that should be applied to determine control of an entity. In this case, the Group does not hold rights in the capital of Breeze Two Energy, which cannot, therefore, be legally controlled. Breeze Two Energy is considered as a special purpose entity, for which the consolidation rules are specified in interpretation SIC 12.

This interpretation requires that a special purpose entity be consolidated when, in substance, the relationship between that entity and the Group indicates that the special purpose entity is controlled by the Group. Since January 31, 2013, the Group has wielded decision-making powers and has been able to direct the relevant activities of Breeze Two Energy. Therefore, it is able to fully consolidate that entity.

The assets and liabilities included in the scope of consolidation are shown in the table below:

(in thousand euros)	Breeze Two Energy (local gaap)	Harmonization adjustments	Financial debt revaluation	Fair value of consolidated assets and liabilities
Goodwill				
Intangible assets	7 997	463		8 460
Tangible assets	194 410	105 994		300 404
Financial assets	2 861			2 861
Deferred tax assets		938		938
Trade and other receivables	7 023			7 023
Other current assets	12 541			12 541
Tax receivables				
Cash and cash equivalents	25 227			25 227
Provisions	1 924	7 321		9 245
Deferred tax liabilities		(25 781)	52 355	26 573
Financial liabilities	471 991		(157 080)	314 911
Other non-current liabilities				
Trade and other payables	8 222			8 222
Tax and social security liabilities	7 344			7 344
Current corporate tax liabilites				
Total net assets consolidated	**(239 422)**	**125 855**	**104 725**	**(8 842)**

The consolidated assets and liabilities were reviewed on a provisional basis for their fair value. This resulted in an adjustment of the following items:

- Tangible and intangible assets;
- Deferred taxes on tax losses;
- Financial liabilities;
- Provisions.

In compliance with the IFRS 3R standard, the Group has twelve months as from the date of the transaction to finalize the allocation of the purchase price to the assets, liabilities and contingent liabilities of Breeze Two Energy.

Given the size and complexity of the transaction, the allocations recognized as at June 30, 2013 were determined provisionary and may be reviewed based on the final valuation of fair values.

The deferred taxes on these adjustments were also recognized.

In the absence of rights to the capital of Breeze Two Energy, all restated shareholders' equity (difference between the assets and liabilities after they have been restated at fair value) was entirely booked as minority interests.

Note 5. Pro forma information

Description of the transaction

The items related to the business combination comprising the Group and Breeze Two Energy are described in Part 1 "Key highlights of the first half of 2013" in this half year activity report.

Presentation basis

Construction assumptions

The pro forma consolidated financial information is shown in thousands of euros and reflects the combination of THEOLIA and Breeze Two Energy, using the acquisition method in accordance with IFRS.

The summary pro forma consolidated income statement for the first half of 2013 was prepared as if the acquisition of control of Breeze Two Energy had been completed on January 1, 2013.

The pro forma financial information is presented exclusively as an illustration and does not constitute an indication of the results of the operational activities or of the financial position of the Group resulting from the transaction if the merger had been completed on January 1, 2013. Nor is it indicative of the results of the operational activities to come or of the Group's future financial position.

Only the pro forma adjustments relating directly to the business combination transaction and that can be documented and reliably estimated are taken into account. The pro forma financial information does not take into account any cost savings or other synergies that may result from including Breeze Two Energy in the scope of consolidation.

The pro forma financial information was prepared from the non-audited IFRS consolidated financial statements (limited review) of the Group as at June 30, 2013, and the non-audited financial statements (limited review) of Breeze Two Energy as at June 30, 2013. They must be read in relation to these financial statements.

The pro forma information as at June 30, 2013 presented below was prepared using the following working assumptions:

- Income statement (6 months) of the THEOLIA Group, excluding Breeze Two Energy;
- Income statement (6 months) of Breeze Two Energy as prepared in accordance with local standards;
- Restatements and harmonization of accounting principles;
- Elimination of intra-group transactions.

Restatements and harmonization of accounting principles

The Breeze Two Energy scope of consolidation is composed primarily of two legal entities located in Germany and France. As a result, the accounting principles applied at the time the financial statements are prepared may be different.

In establishing the pro forma information, the Group made harmonization restatements in order to align the accounting principles of the newly consolidated entities with those practiced by the Group. They are listed below:

- Non-current assets: the farms included within the scope of Breeze Two Energy may not be sold owing to restraints related to their financing. For that reason, the amortization rule followed by the Group based on an assumption of disposal of between 3 and 4 years for the majority of the wind farms cannot be applied. For any of its farms not eligible for this rule, the Group recognizes amortization over 20 years (straight-line) in Germany and 15 years (straight-line) in France. Breeze Two Energy books amortization over 16 years (reducing balance depreciation) for the farms located in Germany and over 20 years (straight-line) for the farms located in France. The amortization plans were recalculated retrospectively and the expense for the half-year period adjusted accordingly.

- Provision for dismantling: the farms not intended for sale within 3 to 4 years have a provision for dismantling associated with a dismantling asset. This provision is discounted and that asset depreciated over the term of the lease. The principal difference comes from the Breeze Two Energy farms in Germany, where the provision for dismantling each year carries a contra entry in the income statement.

- Deferred taxes: each of the restatements made resulted in the recognition of a deferred tax, the overall position of which is negative. Deferred tax assets resulting from tax losses for the half year were recognized in the amount of the deferred tax liabilities recognized. As a result, the pro forma information has no impact on this item.

Intra-group transactions

The Group holds 70% of the Class C bonds booked in the financial liabilities of Breeze Two Energy. The cost of the net financial debt of Breeze Two Energy includes the interest cost corresponding to that holding.

Thus, the pro forma information eliminates that intra-group expense.

Pro forma income statement as at June 30, 2013

Income statement (in thousand euros) for 6 months	THEOLIA Group (excluding Breeze Two Energy)	Breeze Two Energy (6 months)	Adjustments	THEOLIA Group pro forma
Revenue	**29,851**	**20,966**	**-**	**50,817**
Change in inventories of finished goods and work in progress	(2,029)	(166)	-	(2,195)
External expenses	(9,384)	(6,392)	98	(15,678)
Tax	(947)	-	-	(947)
Staff costs	(4,851)	(237)	-	(5,088)
Amortization	(8,798)	(11,986)	330	(20,454)
Current provisions	936	(20)	-	916
Other operating income and expenses	(685)	399	-	(286)
Current operating income	**4,093**	**2,564**	**428**	**7,085**
Non-current provisions	(209)	-	-	(209)
Other non-current income and expenses	(945)	72	-	(873)
Share in income of associates	(4)	-	-	(4)
Operating income (before impairment)	**2,935**	**2,636**	**428**	**5,999**
Impairment	(618)	-	-	(618)
OPERATING INCOME (after impairment)	**2,317**	**2,636**	**428**	**5,381**
Net financial income	**(13,511)**	**(14,190)**	**5,040**	**(22,661)**
Corporate tax expenses	(281)	-	-	(281)
Net income from continuing operations	**(11,475)**	**(11,554)**	**5,468**	**(17,561)**
Net income for the year from discontinued activities	(214)	-	-	(214)
NET INCOME of the consolidated Group	**(11,689)**	**(11,554)**	**5,468**	**(17,775)**
Of which Group share	(11,676)	-	-	(11,676)
Of which non-controlling interest	(14)	(11,554)	5,468	(6,100)

Note 6. Operating segments

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

- **Sales of electricity for own account** corresponds to the sales of electricity produced by wind farms consolidated 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 as at June 30, 2013

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Development, construction, sale	Operation			
Revenue						
France	9,685	772	383			**10,840**
Germany	24,492	1,049	2,851	549		**28,941**
Italy	2,352		67			**2,419**
Morocco	3,863					**3,863**
Other countries		474				**474**
Total	**40,392**	**2,295**	**3,300**	**549**		**46,537**
Current operating income	**9,916**	**(3,621)**	**983**	**(431)**	**(1,089)**	**5,758**
Operating income	**10,035**	**(3,929)**	**361**	**(933)**	**(1,480)**	**4,054**

Information as at June 30, 2012

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Development, construction, sale	Operation			
Revenue						
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**	**(420)**	**6,964**
Operating income	**11,006**	**(5,915)**	**1,004**	**425**	**(889)**	**5,630**

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

Note 7. Amortization

(in thousand euros)	2013/06/30	2012/06/30
Germany	(13,145)	(4,965)
France	(2,987)	(1,804)
Italy	(1,028)	(385)
Morocco	(1,382)	(1,372)
Rest of the world	(149)	(153)
Holding company	(60)	(73)
Total	**(18,751)**	**(8,752)**

The increase in this item is mainly due to the consolidation of Breeze Two Energy's wind farms of an installed capacity of 337 MW.

Note 8. Net financial income

(in thousand euros)	2013/06/30	2012/06/30
Interest income generated by cash and cash equivalents	20	54
Change in fair value of cash equivalents	76	325
Other income	152	-
Income from cash and cash equivalents	**248**	**379**

(in thousand euros)	2013/06/30	2012/06/30
Interest cost on financing operations	(19,016)	(12,072)
Cost of gross financial debt	**(19,016)**	**(12,072)**
Cost of net financial debt	**(18,767)**	**(11,693)**

The cost of net financial debt is analyzed as follows:

	2013/06/30	2012/06/30
Convertible bond (OCEANEs)	(6,892)	(6,545)
Wind farms in operation in Germany	(8,442)	(1,724)
Wind farms in operation in France	(2,319)	(2,115)
Wind farms in operation in Italy	(696)	(796)
Wind farm in operation in Morocco	54	74
Solar farm in operation	(189)	(211)
Other	(284)	(376)
Total	**(18,767)**	**(11,693)**

The change in interest cost on operating wind farms in Germany and France is primarily due to the integration of Breeze Two Energy's wind farms in the scope of consolidation. Indeed, during the first half of 2013, the interest cost on those wind farms amounted to €7,580 thousand.

Other financial expense

(in thousand euros)	2013/06/30	2012/06/30
Ineffective portion of hedging derivatives/debts	(20)	(37)
Change in the fair value of short-term securities and other speculative instruments	-	(20)
Foreign exchange losses	(300)	(266)
Impact of debt restructuring of French operating wind farms	-	(1,987)
Financial asset depreciations	(2,461)	-
Other financial expenses	(311)	(529)
Other financial expenses	**(3,091)**	**(2,839)**

Note 9. Goodwill

Details on the item

(in thousand euros)	Gross amount	Impairment	Net amount 2013/06/30
DCS* of wind projects/farms in France	11,306	-	11,306
DCS* of wind projects/farms in Germany	75,957	(55,627)	20,329
DCS* of wind projects/farms in Italy	17,599	(17,599)	-
DCS* of wind projects/farms in Spain	1,645	(1,645)	-
Sales of electricity for own account activity	90,770	(82,915)	7,855
Non-wind activity	109	(109)	-
Corporate activity	1,709	(1,709)	-
Total	**199,095**	**(159,604)**	**39,489**

** Development, construction, sale*

The Group reviewed its assets with regard to the IAS 36 standard and did not identify any impairment factor as at June 30, 2013.

Note 10. Intangible assets

(in thousand euros)	Projects under development	Development costs	Software and similar rights	Other intangible assets	TOTAL
Gross amounts as at 2013/01/01	48,538	12,959	853	72,417	134,767
Acquisitions and internally generated non-current assets	(4,175)	3,451	6	-	(718)
Business combinaison	-	4,229	30	8,699	12,958
Decrease	(10)	-	-	-	(10)
Currency translation adjustments	1	-	(1)	122	122
Other changes	408	-	-	(90)	318
Gross amounts as at 2013/06/30	44,762	20,639	888	81,148	147,437
Total depreciation and amortization as at 2013/01/01	(25,635)	(2,710)	(759)	(39,454)	(68,558)
Amortization	(46)	(447)	(32)	(2,111)	(2,636)
Depreciations/Reversals on impairment	(59)	-	-	-	(59)
Business combination	-	(1,548)	(9)	(2,941)	(4,498)
Currency translation adjustments		-	-	(74)	(74)
Other changes	1,180	-	-	-	1,180
Total depreciation and amortization as at 2013/06/30	(24,560)	(4,705)	(800)	(44,580)	(74,645)
Net amounts as at 2013/01/01	22,903	10,249	94	32,963	66,209
Net amounts as at 2013/06/30	20,202	15,934	88	36,568	72,792

Intangible assets mainly include:

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

The increase in development costs comes from the reclassification of the net value of projects under development further to the commissioning of a 10 MW wind farm in Italy.

Business combinations correspond to the integration of Breeze Two Energy's French and German wind farms in the scope of consolidation. Their impact on intangible assets amounts to €12,958 thousand on the gross amount and €4,498 thousand on amortization.

Note 11. Tangible assets

(in thousand euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	TOTAL
Gross amounts as at 2013/01/01	6,328	4,150	41,209	338,767	2,866	393,320
Acquisitions and internally generated non-current assets	-	-	(15,892)	18,284	148	**2,540**
Business combination	-	-	-	437,008	14	**437,022**
Disposals	-	-	-	(102)	(1)	**(103)**
Currency translation adjustments	-	-	-	1	(7)	**(6)**
Other changes	-	-	-	6,382	(154)	**6,228**
Gross amounts as at 2013/06/30	6,328	4,150	25,317	800,340	2,866	839,001
Total depreciation and amortization as at 2013/01/01	(1,177)	(2,072)	(13,094)	(103,542)	(2,700)	(122,585)
Amortization	-	(122)	-	(15,915)	(80)	**(16,117)**
Depreciation for impairment	(56)	-	-	(503)	-	**(559)**
Business combination	-	-	-	(136,605)	(14)	**(136,619)**
Reversals on disposals	-	-	-	66	1	**67**
Currency translation adjustments	-	-	-	-	6	**6**
Other changes	-	-	-	6	154	**160**
Total depreciation and amortization as at 2013/06/30	(1,233)	(2,194)	(13,094)	(256,493)	(2,633)	(275,647)
Net amounts as at 2013/01/01	5,151	2,078	28,115	235,225	166	270,735
Net amounts as at 2013/06/30	5,095	1,956	12,223	543,847	233	563,354

(1) Mainly relating to wind farms under operation.

The change in the "Acquisitions and internally generated non-current assets" item corresponds mainly to the commissioning of a 10 MW wind farm in Italy.

Business combinations correspond to the integration of Breeze Two Energy's French and German wind farms in the scope of consolidation.

The increase of €6,382 thousand in technical facilities on the "Other changes" line corresponds to the reclassification of some operating wind farms in Germany for a total capacity of 5 MW from inventories to tangible assets.

Amortization of technical facilities in the amount of (€15,915 thousand) corresponds to:

- Wind farms located in France (including Breeze Two Energy) (€2,542 thousand)
- Wind farms located in Germany (including Breeze Two Energy) (€12,452 thousand)
- Wind farms located in Italy (€914 thousand)
- Other (€7 thousand)

Note 12. Inventories

(in thousand euros)	2013/06/30
Wind projects and farms	15,450
Turbine components and other parts	653
Depreciation	(8,814)
Net amount	**7,289**

(in thousand euros)			2013/06/30	2012/12/31
	Gross value	Depreciation	Net value	Net value
Germany	510	(245)	265	7,282
France	9,084	(5,455)	3,630	4,256
Italy	2,878	(251)	2,626	2,284
Morocco	644	-	644	695
Rest of the w orld	1,598	(1,472)	126	418
Corporate	1,390	(1,391)	(1)	-
TOTAL	**16,103**	**(8,814)**	**7,289**	**14,934**

In Germany, the decrease in the net value of inventories corresponds to the reclassification of some operating wind farms in Germany for a total capacity of 5 MW from inventories to tangible assets, as well as to the sale of two projects under development.

Note 13. Cash and cash equivalents

(in thousand euros)	2013/06/30	2012/12/31
Marketable securities (net)	12,074	17,498
Cash	72,750	51,673
Net cash	**84,824**	**69,171**

(in thousand euros)	2013/06/30	2012/12/31
Free cash	24,025	27,969
Cash reserv ed for SPVs	40,408	21,514
Pledged cash	20,391	19,688
Total cash and cash equivalents	**84,824**	**69,171**

The Group's cash position includes a free part, a reserved part and a pledged part. As at June 30, 2013, the Group's total cash and cash equivalents amounted to €84,824 thousand.

The Group has a policy to invest cash on a daily basis in money-market mutual funds (in euros) and in guaranteed-capital time deposit accounts.

All investments are implemented on money-market mutual funds and have immediate availability.

Free cash **€24,025 thousand (i.e., 28% of total cash)**

Free cash is directly allocated to the Group companies' operating purposes; it breaks down as follows:

- Holding company (THEOLIA SA) €7,745 thousand
- France (excluding the holding company) €202 thousand
- Germany €10,965 thousand
- Italy €145 thousand
- Other countries €4,967 thousand

Cash reserved for SPVs **€40,408 thousand (i.e., 48% 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) €9,166 thousand
- Germany €29,416 thousand
- Italy €1,826 thousand

Pledged cash **€20,391 thousand (i.e., 24% of total cash)**

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

It breaks down as follows:

- Holding company (THEOLIA SA) €147 thousand
- France (excluding the holding company) €3,928 thousand
- Germany €13,743 thousand
- Italy €2,045 thousand
- Other countries €529 thousand

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 notably reconfirmed by the Board of directors on April 15, 2013.

However, given in particular the economic context, the Group has not yet finalized the disposal of all of its non-wind activities as at June 30, 2013. The Group is actively pursuing the disposal plan for those activities.

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

Since December 31, 2008, they have been recorded, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". As at June 30, 2013, this accounting treatment was maintained.

Thus, all transactions for the period relating to the Environment activities were recorded in the "Net income for the year from discontinued activities" item in the income statement. The assets and liabilities were recorded in the "Assets/Liabilities classified as held for sale" item in the balance sheet.

Asset values were depreciated on the basis of the probable selling prices. As a result, a provision of €3,602 thousand was recognized at the end of 2012. As at June 30, 2013, this provision has been adjusted to reflect the change in the net assets: a charge of (€239 thousand) was posted in the "Net income for the year from discontinued activities" item in the income statement.

Information on the income statement as at June 30, 2013

(in thousand euros)	THEOLIA Group pre-IFRS 5 2013/06/30	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2013/06/30
Revenue	51,243	(4,707)	46,537
Current operating income	6,122	(364)	5,758
Impairment	(618)		(618)
Operating income	4,464	(410)	4,054
Net financial income	(21,193)	84	(21,108)
Net income from continuing operations	(17,320)	(26)	(17,346)
Net income for the year from discontinued activities		(214)	(214)
NET INCOME of the consolidated Group	(17,320)	(239)	(17,560)
Of which Group share	(11,436)	(239)	(11,676)
Of which non-controlling interests	(5,884)		(5,884)

Information on the income statement as at June 30, 2012

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

Note 15. Share capital

	2012/12/31	Creation of shares by conversion of OCEANE bonds	2013/06/30
Number of shares	64,885,834	8,639	64,894,473 *
Number of securities	64,885,834	8,639	64,894,473
Share capital (in euros)	90,840,168	12,094	90,852,262

*including 278,778 treasury shares.

As at June 30, 2013, the capital was composed of 64,894,473 shares with a par value of €1.40.

Note 16. Financial debt

Change in borrowings and financial debt

(in thousand euros)	Bank loans	Bonds	Other financial liabilities	TOTAL
Amounts as at 2013/01/01	172,647	109,358	16,445	298,450
Increase	3,264	14,439	190	17,893
Repayments	(11,789)	(19,013)	(2,380)	(33,182)
Change in consolidated scope - Business combination	-	276,682	-	276,682
Amounts as at 2013/06/30	164,122	381,466	14,255	559,843

As at June 30, 2013, financial debt amounted to €559,843 thousand, an increase of €261,392 thousand compared to December 31, 2012.

As at June 30, 2013, the Group did not have corporate lines of credit opened and not drawn down.

This change reflects the following factors:

Change in bank loans (€8,525 thousand)

The increase in bank loans amounted to €3,264 thousand, corresponding to:

- Drawdown on project financing in France €923 thousand
- Drawdown on project financing in Germany €1,200 thousand
- accrued interests €572 thousand
- other (interest capitalization) €570 thousand

Repayments of loans amounted to (€11,788 thousand), relating to:

- normal amortization of project financing (€8,842 thousand)
- early repayment of project financing in Germany (€1,500 thousand) (following wind farm restructuring)
- partial repayment of VAT credit lines (projects in France and Italy)(€1,148 thousand)
- other (reversal of accrued interests) (€297 thousand)

Change in bonds €272,108 thousand

On January 31, 2013, the Group took control of 337 MW financed by a bond amounting to €276,682 thousand as at the date of integration in the scope of consolidation. During the first half of 2013, the net change in this bond was (€7,217 thousand). Breeze Two Energy guarantees the entire debt by pledges.

Furthermore, the convertible bond (OCEANE) showed a net change of €2,643 thousand.

Change in other financial liabilities (€2,190 thousand)

The change in other financial liabilities reflects:

- the change in the valuation of interest rate hedging instruments (€2,383 thousand)
- the change in current accounts, interests accrued €193 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 term.

(in thousand euros)	< 1 year	> 1 year < 5 years	> 5 years	Total 2013/06/30	Total 2012/12/31
Bonds loans	**19,822**	**145,961**	**215,682**	**381,465**	**109,358**
. France	*1,848*	*7,260*	*13,887*	*22,995*	-
. Germany	*15,878*	*28,796*	*201,796*	*246,470*	-
. OCEANEs	*2,096*	*109,905*	-	*112,001*	*109,358*
Project financing	**39,858**	**64,776**	**59,489**	**164,123**	**172,648**
. France	*5,757*	*25,501*	*29,957*	*61,216*	*64,062*
. Germany	*11,945*	*39,275*	*23,207*	*74,425*	*80,621*
. Italy	*22,157*	-	*6,325*	*28,482*	*27,965*
. Morocco	-	-	-	-	-
Derivative financial instruments (interest rate swap)	**1,951**	**-**	**6,885**	**8,836**	**11,192**
. France	-	-	*6,885*	*6,885*	*8,689*
. Italy	*1,951*	-	-	*1,951*	*2,503*
Other financial debt	**44**	**5,375**	**-**	**5,419**	**5,253**
. Holding company	*44*	*2,717*	-	*2,761*	*2,672*
. Italy	-	*2,658*	-	*2,658*	*2,581*
TOTAL FINANCIAL DEBT	**61,675**	**216,112**	**282,056**	**559,843**	**298,451**

The current part of the debt as at June 30, 2013 amounted to €61,675 thousand, breaking down as follows:

- €21,695 thousand of project financing reclassified in short-term debt (including €1,951 thousand of hedging instrument MtM) for an Italian wind farm in breach of some financial covenants as at June 30, 2013. This reclassification is required by IAS 1R.69;
- €37,840 thousand corresponding to the short-term part of long-term borrowings;
- €2,096 thousand of accrued interest on OCEANE bonds payable in January 2014;
- €44 thousand of other financial debt (current accounts).

Analysis per rate excluding hedging instruments

(in thousand euros)	2013/06/30	2012/12/31
Fixed-rate debt	469,707	203,398
Variable-rate debt	90,136	95,053
THEOLIA Group	**559,843**	**298,451**

Fixed-rate debt amounted to €469,707 thousand, or 84% of total debt as at June 30, 2013, broken down as follows:

- Convertible bond — €112,001 thousand
- Project financing and derivative financial instruments
  - France — €2,073 thousand
  - Germany — €74,425 thousand
  - Italy — €6,325 thousand
- Project financing - bonds — €269,465 thousand
- Other debt — €5,419 thousand

Variable-rate debt amounted to €90,136 thousand, or 16% of total debt as at June 30, 2013, broken down as follows:

- Project financing
  - France €66,029 thousand
  - Italy €24,108 thousand

Analysis per rate including hedging instruments

(in thousand euros)	2013/06/30	2012/12/31
Fixed-rate debt	536,614	273,048
Variable-rate debt	23,229	25,403
THEOLIA Group	**559,843**	**298,451**

As at June 30, 2013, including hedging instruments, debt broke down as follows:

- Fixed-rate debt of €536,614 thousand, or 96% of total debt;
- Variable-rate debt of €23,229, or 4% of total debt.

Note 17. Derivative financial instruments

Derivative financial instruments only include interest rate hedging instruments (swap); the underlying debt is made up of variable rate loans. These derivative instruments are recorded at their fair value as at June 30, 2013. The hedge ratio used is the cash flow hedge allowing the effective part to be recorded directly under shareholders' equity and the ineffective part on the income statement.

Valuation of derivative financial liabilities as at June 30, 2013 was €8,836 thousand, a decrease of €2,356 thousand compared to December 31, 2012.

Note 18. Covenants

The Group has two categories of borrowings:

- Group corporate borrowings: OCEANE
- project financing: 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)

As at June 30, 2013, one wind farm in Italy was in breach of covenant following the fact that the wind farm was put in escrow.

This farm's debt is entirely included within the "Current financial liabilities" item, up to €24,108 thousand (of which €1,951 thousand are hedging instrument MtM) as at June 30, 2013.

As at 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 19. Related parties

During the first half of 2013, relations between the THEOLIA Group and the related parties were comparable to those of 2012. Specifically, no transactions that were unusual in terms of their nature or amount, occurred during this period.

Note 20. Commitments and contingent liabilities

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 operates. When the Group develops a wind project in a country, the corresponding subsidiary sets up a special purpose vehicle (SPV) to hold the assets and liabilities specific to the project. This subsidiary is the 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 financial statements if it notes an absence of control in terms of IFRS standards.

However, as the Group's 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;
- 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 to deal with market risk, which also constitute off-balance sheet commitments.

The tables below provide the breakdown of the 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 at June 30, 2013.

The Group applies AMF recommendation No. 2010-14 on the presentation of off-balance sheet commitments. The Group breaks them down into three categories:

- Off-balance sheet commitments related to the operational activities of the Company (orders for turbines and contractual commitments);
- Off-balance sheet commitments related to significant contracts; and
- Off-balance sheet commitments related to scope.

The Group modified the presentation of its off-balance sheet commitments in order to make them easier to read. The off-balance sheet commitments are now presented over a period of five years.

These commitments are broken down by maturity and term so that payment schedules can be shown. For example, financial commitments received include any undrawn lines of credit as well as any project financing signed, but not yet drawn.

Finally, the conditional guarantees and commitments show any guarantees or commitments made by the Group, the execution of which is subject to the occurrence of uncertain future events.

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

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Germany	3,360	9,712	11,560	24,631
France (1)	1,374	9,225	33,434	44,032
Italy	6,738	6,114	28,775	41,627
THEOLIA SA	3,844	3,819	3,487	11,150
TOTAL	**15,316**	**28,870**	**77,255**	**121,441**

(1) Excluding THEOLIA SA and non-wind activity

20.2 Off-balance sheet commitments related to the commitments of subsidiaries

Off-balance sheet commitments related to the commitments in the scope of the French wind power business

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	Total
Deposits, securities & guarantees given	1,314	8,492	18,421	28,227
Contractual commitments	-	-	20	20
Simple rents	315	1,261	5,156	6,733
Financial assets	-	-	9,837	9,837
Deposits, securities & guarantees received	(256)	(528)	-	(784)
TOTAL	1,374	9,225	33,434	44,032

Off-balance sheet commitments related to the commitments in the scope of the German wind power business

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	Total
Deposits, securities & guarantees given	-	-	2,500	2,500
Contractual commitments	2,510	6,793	1,260	10,563
Simple rents	850	2,919	9,071	12,840
Deposits, securities & guarantees received	-	-	(1 272)	(1 272)
TOTAL	3,360	9,712	11,560	24,631

Off-balance sheet commitments related to the commitments in the scope of the Italian wind power business

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	Total
Deposits, securities & guarantees given	500	2,740	24,110	27,350
Contractual commitments	579	2,196	675	3,450
Simple rents	339	1,179	3,990	5,508
Financial assets	7,564	-	-	7,564
Deposits, securities & guarantees received	(2 104)	-	-	(2 104)
Contractual commitments	(140)	-	-	(140)
TOTAL	6,738	6,114	28,775	41,627

STATUTORY AUDITORS' REVIEW REPORT ON FIRST HALF YEAR FINANCIAL INFORMATION FOR 2013

(for the period January 1, 2013 to June 30, 2013)

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.

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, 2013 ;
- 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.

Without qualifying our conclusion, we draw your attention to note 4 to the half-year consolidated financial statements which sets out the takeover of Breeze Two Energy: "*Given the size and complexity of the transaction, the allocations recognized as at June 30, 2013 were determined provisionary and may be reviewed based on the final valuation of fair values.*"

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 28, 2013

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 2013 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 28, 2013,

Fady Khallouf

Chief Executive Officer