theolia

2011

Half year financial report

Agenda

HALF YEAR ACTIVITY REPORT

1 Key highlights of the first half of 2011

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

Following an initial profitable partnership as part of the concession awarded by the ONE to the *Compagnie Eolienne du Détroit* ("CED"), a subsidiary of THEOLIA Group, for the operation of a 50.4 MW wind farm at Tetouan near Tangier, THEOLIA and the ONE have decided to continue their partnership to develop a 300 MW wind farm.

The agreement, signed on May 31, 2011, includes the development and construction of a wind project on the Tetouan site, which will be developed in two phases:

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

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

This project falls within the ONE's Integrated Program for developing 1,000 MW of wind energy. For THEOLIA, this project represents an additional gross capacity of 250 MW.

THEOLIA will be the majority investor in the entity holding the future wind farm; the ONE will hold 20%.

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

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

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

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

Significant bond conversions during the first half of 2011

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

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

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

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

2 The Group's business activity over the first half of 2011

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

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

(1) In application of the IAS 8 standard, restatement of revenue generated from the sale of electricity from wind farms managed for third parties offering no guaranteed margins and restatement of some intangible assets in France (see note 2 of the notes to the consolidated half year summary financial statements, on page 18 of this Report).

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

- **Revenue**

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

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

(1) Excluding Environment activities.

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

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

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

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

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

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

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

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

- **EBITDA**

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

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

(1) Excluding Environment activities.

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

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

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

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

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

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

- **Operating income**

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

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

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

- **Financial result**

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

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

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

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

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

- **Net income of the consolidated Group**

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

DEBT AND CASH POSITION

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

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

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

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

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

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

The net cash position breaks down as follows:

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

(1) SPV: special purpose vehicle.

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

Creation of the investment vehicle THEOLIA Utilities Investment Company

In July 2011, THEOLIA and IWB Industrielle Werke Basel ("IWB"), electricity producer and distributor in Switzerland, announced entering into partnership to jointly invest in wind farms. Formal approval has been given by both Boards of Directors.

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

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

IWB is the first partner to join the vehicle with an interest of 30%. At the creation, THEOLIA holds 70% of THEOLIA Utilities Investment Company and its target is to hold a 40% interest at the end. Discussions are ongoing with other utilities willing to join the vehicle.

Wind projects will be acquired by THEOLIA Utilities Investment Company from THEOLIA, which will be in charge of the development, construction and operation of the farms for their life span. THEOLIA will be paid for each of these tasks.

As first achievement, THEOLIA Utilities Investment Company will invest in a wind project, developed by THEOLIA in France and having a construction permit free of third party claims.

The creation of THEOLIA Utilities Investment Company occurred after June 30, 2011 and has thus had no impact on the half year consolidated financial statements.

Progress on Magremont project in France

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

4 Main risks and uncertainties for the second half of 2011

As of June 30, 2011, the risk factors are of the same nature as exposed in the 2010 annual financial report (on pages 52 to 70). Only financial covenants have changed. Their detail is provided on note 18 of the notes to the consolidated half year summary financial statements, on page 38 of this Report.

THEOLIA, as any economic player, monitors the current volatility of financial markets as well as uncertainties and fragilities of global economy.

5 Main transactions between related parties

The information pertaining to transactions between related parties relevant to the half year period ending June 30, 2011 appears in note 19 of the notes to the consolidated half year summary financial statements, on page 39 of this Report.

CONSOLIDATED HALF YEAR SUMMARY FINANCIAL STATEMENTS

1 Income statement

(in thousands of euros)

	Notes	06/30/2011	06/30/2010
Revenue	4	**27,394**	**99,016**
Purchases and changes in inventories		(4,028)	(73,745)
External expenses		(10,708)	(14,138)
Taxes		(708)	(614)
Staff expenses	5	(5,227)	(9,397)
Amortization		(6,125)	(3,584)
Provisions		(675)	(5,658)
Other operating income and expenses		1,434	1,497
Current operating income		**1,356**	**(6,623)**
Other non-current income and expenses		(357)	(270)
OPERATING INCOME (before impairment)		**999**	**(6,893)**
Impairment		(241)	(1,574)
OPERATING INCOME (after impairment)		**758**	**(8,467)**
Cost of net financial debt	6	**(6,801)**	**(12,323)**
Other financial income	6	522	1,362
Other financial expenses	6	(409)	(8,158)
Financial result		**(6,688)**	**(19,119)**
Share in income from associates		(12)	(245)
Tax expenses	7	334	(131)
Net income from continued activities		**(5,608)**	**(27,962)**
Income net of corporate tax from discontinued activities or assets held for sale	13	(1,253)	(553)
NET INCOME of the consolidated Group		**(6,861)**	**(28,515)**
Attributable to the Group		(6,647)	(27,978)
Attributable to non-controlling interests		(214)	(535)
Consolidated income per share (in euros)		(0.06)	(0.70)
Consolidated diluted income per share (in euros)		(0.03)	(0.67)

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

2 Comprehensive income

(in thousands of euros)

	06/30/2011	06/30/2010
Net income (loss)	**(6,861)**	**(28,515)**
Foreign exchange differences	78	(125)
Fair value of derivatives hedges	745	-
Total earnings and expenses posted	**823**	**(125)**
OVERALL COMPREHENSIVE INCOME	**(6,037)**	**(28,641)**

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

3 Balance sheet

(in thousands of euros)

Assets	Notes	06/30/2011	12/31/2010	06/30/2010
Goodwill	8	71,138	71,138	79,460
Intangible assets	9	90,465	90,294	81,147
Tangible assets	10	297,651	278,790	255,630
Investment in associates		9,616	10,466	10,406
Non-current financial assets		11,513	11,016	13,765
Deferred tax assets		694	30,144	5,355
Non-current assets		**481,077**	**491,848**	**445,764**
Inventories and work in progress	11	15,202	19,805	56,857
Clients		22,341	30,833	31,638
Other current assets		17,749	19,827	31,929
Tax receivables on income		5,847	5,687	4,230
Current financial assets		402	106	1
Cash and cash equivalents	12	88,713	110,432	78,631
Current assets		**150,254**	**186,690**	**203,286**
Assets related to activities which are held for sale		13,212	13,201	15,828
TOTAL ASSETS		**644,543**	**691,739**	**664,878**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	14	127,418	110,293	40,309
Issue premiums		305,149	304,947	307,133
Other reserves		(192,449)	(198,829)	(198,294)
Net income – Group share		(6,647)	5,857	(27,979)
Shareholders' equity – Group share		**233,471**	**222,268**	**121,169**
Non-controlling interests		(2,444)	(2,261)	(2,123)
Shareholders' equity		**231,027**	**220,007**	**119,046**
Non-current financial debt	16	243,676	255,424	164,324
Provisions – non-current share		20,052	18,316	17,211
Personnel benefits		156	129	93
Deferred tax liabilities		12,669	43,122	16,865
Other non-current liabilities		8,060	8,060	560
Non-current liabilities		**284,613**	**325,051**	**199,053**
Current financial debt	16	75,988	92,683	290,076
Provisions – current share		-	597	597
Trade payables and other current liabilities		38,463	35,299	35,060
Tax and social liabilities		4,181	7,313	9,713
Corporation tax debts		1,085	1,062	714
Current liabilities		**119,717**	**136,954**	**336,160**
Liabilities related to activities which are held for d for sale		9,186	9,727	10,618
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**644,543**	**691,739**	**664,878**

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

4 Cash flow statement

(in thousands of euros)

	06/30/2011	06/30/2010	12/31/2010
Total net income of consolidated companies	**(6,861)**	**(28,513)**	**4,993**
Income from discontinued activities	1,252	553	1,480
Elimination of amortization, depreciation and provisions	6,596	9,720	36,815
Elimination of change in deferred taxes	(331)	136	4,523
Elimination of capital gains/losses from disposals	269	(1,167)	(510)
Elimination of the share of income from equity	11	245	180
Financial expenses	7,221	11,931	23,468
Other income & expenses with no effect on cash	361	19,964	(58,899)
Gross self-financing margin (A)	**8,517**	**12,869**	**12,051**
Effect of WCR variation related to activity (B)	4,864	5,143	33,879
Corporation tax paid (C)	(759)	(1,799)	(2,575)
Flows related to discontinued activities (D)	(1,279)	-	(1,804)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**11,343**	**16,213**	**41,551**
Acquisitions of fixed assets	(17,019)	(22,001)	(38,225)
Acquisitions of financial assets	-	-	-
Disposals of fixed assets	1,015	678	1,666
Change in loans granted	95	7,178	10,092
Effect of change in scope of consolidation: subsidiary acquisitions net of cash acquired	(72)	(4,255)	(15,784)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(15,980)**	**(18,434)**	**(42,250)**
Treasury shares	-	81	-
Capital increase (decrease)	-	-	56,284
Increase in loans and other debts	18,848	30,622	45,460
Repayments of loans and other debt	(25,760)	(34,596)	(70,630)
Interests paid	(9,972)	(9,625)	(14,448)
Financing transactions with no effect on cash	-	(16)	69
NET FLOW GENERATED BY FINANCING ACTVITIES (c)	**(16,883)**	**(13,534)**	**16,734**
Effect of variations on exchange rates	(127)	206	146
CHANGES IN CASH AND CASH EQUIVALENTS (d) = (a) + (b) + (c)	**(21,647)**	**(15,550)**	**16,180**
Net cash and cash equivalents – opening balance	110,360	94,180	94,180
Net cash and cash equivalents of discontinued activities – closing balance	-	-	-
Net cash and cash equivalents – closing balance*	88,713	78,630	110,360
CHANGES IN CASH AND CASH EQUIVALENTS	**(21,647)**	**(15,550)**	**16,180**
*Cash posted on the balance sheet	88,713	78,631	110,432
Bank overdrafts	-	(1)	(72)
Net cash and cash equivalents – closing balance	***88,713***	***78,630***	***110,360***

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

5 Statement of changes in equity

(in thousands of euros)

	Capital	Premiums	Currency translation adjustments	Consolidated reserves and income	Shareholders' equity - Group share	Non-controlling interests	Total Shareholders' equity
As of 12/31/2009	**39,895**	**307,547**	**221**	**(202,718)**	**144,943**	**(1,823)**	**143,120**
Expenses and income directly recorded under Shareholders' equity			409		**409**		**409**
Net income (expense)				**(27,978)**	**(27,978)**		**(27,978)**
Comprehensive income	**-**	**-**	**409**	**(27,978)**	**(27,569)**	**-**	**(27,569)**
Capital increase	414	(414)			**-**		**-**
Share-based payments and options				4,142	**4,142**		**4,142**
Treasury shares				(23)	**(23)**		**(23)**
Transactions between shareholders				(318)	**(318)**		**(318)**
Other reclassifications			(56)	48	**(6)**	(300)	**(306)**
As of 06/30/2010	**40,309**	**307,132**	**574**	**(226,847)**	**121,169**	**(2,123)**	**119,046**
Expenses and income directly recorded under Shareholders' equity			(275)	(69)	**(344)**		**(344)**
Net income (expense)				**33,835**	**33,835**	**(864)**	**32,971**
Comprehensive income	**-**	**-**	**(275)**	**33,766**	**33,491**	**(864)**	**32,627**
Capital increase	60,463				**60,463**		**60,463**
Capital increase costs		(4,179)			**(4,179)**		**(4,179)**
Bond conversions	9,521	1,973		3,159	**14,653**		**14,653**
Share-based payments				(3,116)	**(3,116)**		**(3,116)**
Treasury shares				(106)	**(106)**		**(106)**
Transactions between shareholders				(167)	**(167)**	485	**318**
Other reclassifications		21		39	**60**	241	**301**
As of 12/31/2010	**110,293**	**304,948**	**299**	**(193,272)**	**222,268**	**(2,261)**	**220,007**
Expenses and income directly recorded under Shareholders' equity			(540)	745	**205**		**205**
Net income (expense)				**(6,647)**	**(6,647)**	**(214)**	**(6,861)**
Comprehensive income	**-**	**-**	**(540)**	**(5,903)**	**(6,442)**	**(214)**	**(6,656)**
Bond conversions	17,081	246			**17,327**		**17,327**
Share-based payments	44	(44)		178	**178**		**178**
Treasury shares				91	**91**		**91**
Transactions between shareholders				(21)	**(21)**	21	**-**
Other reclassifications			62	7	**69**	10	**79**
As of 06/30/2011	**127,419**	**305,149**	**(178)**	**(198,919)**	**233,471**	**(2,444)**	**231,027**

6 Notes to the consolidated half year summary financial statements

Note 1. General information

The company THEOLIA ("The Company") is a French limited liability corporation, whose head office is 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 being sold. The Group operates mainly in Europe.

The Company is listed for trading 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, 2011 and ended on June 30, 2011.

The summary financial statements were approved by the Board of Directors on August 31, 2011.

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, THEOLIA's consolidated half year summary financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of June 30, 2011.

The summary half year financial statements, for the period ended June 30, 2011, are presented and have been prepared on the basis of the provisions of standard IAS 34 "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. They may be complemented by reading THEOLIA's financial statements published for the year ended December 31, 2010.

The summary consolidated financial statements are established using the accounting policies and methods applied by the Group to the financial statements for fiscal year 2010 (described in note 2 to the consolidated financial statements as of December 31, 2010), with the exception of the following standards and amendments to the standards applicable as of January 1, 2011:

Standard	Description	Potential impact on the Group's financial statements
IAS 24 Revised	Related parties	These standards, amendments and interpretations have had no impact on this document
Amendment IAS 32	Classification of rights	
Amendment IFRIC 14	Early payments of minimum finance obligations	
IFRIC 19	Extinction of debt	
Annual improvements	Annual improvements (2008-2010)	

IAS 8 - Accounting policies, changes in accounting estimates and errors

- Intangible assets

Following the acquisition of Ventura in the first half of 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. On the date of taking control, the company had lodged applications for construction permits for a total of 272 MW, of which 32 had been accepted and had become final. Based on statistics, the Group had taken into consideration the completion of 72 MW of the 240 MW being developed. The total number of revalued MW was thus equal to 104.

The revaluation recorded amounted to €13,316 thousand with the recognition of a deferred tax liability of €4,505 thousand.

During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects, or should have been amortized. This handling error was identified during the work on closing the accounts for 2010 and necessitated restating the 2010 half year financial statements.

The restatement involved the following:

- projects sold in 2009 and before: restatement of non-current assets with a counterparty in the opening shareholders' equity;
- operating projects: recording of amortizations.

Impacts on the balance sheet as of 06/30/2010
(in thousands of euros)

Assets		
	Intangible assets	(8,579)
	Deferred tax assets	(4,152)
		(12,730)
Liabilities		
	Opening reserves	(5,532)
	Income	(4,296)
	Deferred tax liabilities	(2,902)
		(12,729)

Impacts on the income statement as of 06/30/2010
(in thousands of euros)

Amortization	(218)
Taxes	(4,078)
	(4,296)

- Presentation of revenue

Until December 31, 2009, the production of electricity from wind farms managed for third parties was recorded as revenue based on the volume produced and delivered over the period. The Group wrongly assumed that it was not acting as an agent for the purpose of these transactions, mainly because the contract for the sale of electricity to the grid operator applied between the Group and the end customer and did not involve the owner of the asset managed by the Group.

In the second half of 2010, an in-depth review focusing on the contracts between the German subsidiary in question and its customers was carried out by the Group, notably with regard to paragraph 21 of the appendix to IAS 18 added by the IASB in 2009 as part of the annual improvement of IFRS. On that basis, the Group has changed its accounting for revenue from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group.

In accordance with IAS 8, revenue for the period ended June 30, 2010 has been retrospectively adjusted.

This change had no impact on the operating income or on net income.

The table below presents the summary of the impacts on the income statement and on the balance sheet:

(in thousands of euros)	06/30/2010 Published	Restatement of revenue	Restatement of intangible assets	06/30/2010 Restated
Revenue	**115,797**	**(16,781)**		**99,016**
Purchases and changes in inventories	(90,526)	16,781	-	(73,745)
Amortization and provisions	(9,024)		(218)	(9,242)
Current operating income	**(6,404)**		**(218)**	**(6,623)**
Other non-current income and expenses	(270)		-	(270)
Operating income before impairment	**(6,674)**		**(218)**	**(6,893)**
OPERATING INCOME (after impairment)	**(8,248)**		**(218)**	**(8,467)**
Tax expenses	3,948		(4,078)	(131)
NET INCOME of the consolidated Group	**(24,217)**		**(4,296)**	**(28,515)**
Attributable to the Group	(23,682)		(4,296)	(27,978)
Attributable to non-controlling interests	(535)		-	(535)

(in thousands of euros) ASSETS	06/30/2010 Published	Restatement of intangible assets	06/30/2010 Restated
Intangible assets	89,726	(8,579)	81,147
Deferred tax assets	9,507	(4,152)	5,355
Non-current assets	**458,494**	**(12,730)**	**445,764**
Current assets	**203,286**	**-**	**203,286**
TOTAL ASSETS	677,608	(12,730)	664,878
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other reserves	(192,762)	(5,532)	(198,294)
Net income – Group share	(23,682)	(4,296)	(27,979)
Shareholders' equity – Group share	**130,998**	**(9,828)**	**121,169**
Shareholders' equity	**128,875**	**(9,828)**	**119,046**
Deferred tax liabilities	19,767	(2,902)	16,865
Non-current liabilities	**201,955**	**(2,902)**	**199,053**
Current liabilities	**336,160**	**-**	**336,160**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	677,608	(12,729)	664,878

Use of estimates

The preparation of the half year financial statements in accordance with the conceptual framework of the IFRS implies the use of estimates and assumptions which could have an impact on the amounts of certain assets, liabilities, income and expenses shown in the statements.

The key assumptions are as follows:

- likelihood of success and commissioning of wind projects;
- discount rates applied in discounted cash flow valuation models;
- capacity to secure financing for wind projects.

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

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

The above items were developed in more detail in the 2010 annual financial report.

Note 3. Changes in the scope of consolidation

Scope of consolidation

For the first half of 2011, the scope of consolidation included, other than the parent company:

- 113 companies subject, directly or indirectly, to exclusive control;
- one company subject to joint control;
- 7 companies in which it exercises a significant influence.

Creations

Companies	% interest	% control	Consolidation method	Country	Activity
EIFEL WIND INFRA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
SIRIBETTA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
PERGOLA EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale

Other changes: deconsolidated entities

As of December 31, 2010, THEOLIA held 23.88% interests in THEOLIA Sitac Wind Power and THEOLIA Wind Power. As of June 30, 2011, following a share capital increase, the Group's interests have been diluted and now only amount to 12.34%. As a result, these companies have been deconsolidated as of June 30, 2011. Nevertheless, the Group contests the validity of this capital increase.

Note 4. Operation segments

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

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

Financial information for the half year ended June 30, 2011 – Income statement (in thousands of euros)

Income statement	Wind activities			Non-wind activity	Corporate	Total
	Sale of electricity for own account	Development Construction Sale	Operation			
Revenue						
France	5,782	1,218	188			**7,188**
Germany	10,207	524	2,808	852		**14,391**
Italy	2,383					**2,383**
Rest of the world	3,432					**3,432**
Total	**21,803**	**1,742**	**2,996**	**852**		**27,394**
Current operating income	**9,618**	**(6,970)**	**(268)**	**379**	**(1,403)**	**1,356**
Impairment		(244)		2		(241)
Other non-current income and expenses	(39)		(317)			(357)
Operating income	**9,578**	**(7,213)**	**(586)**	**382**	**(1,403)**	**758**
Share in income from associates	(11)					(11)

Comparative financial information for the half year ended June 30, 2010 – Income statement (in thousands of euros)

Income statement		Wind activities					
		Sale of electricity for own account	Development Construction Sale	Operation	Non-wind activity	Corporate	Total
Revenue							
	France	6,171	1,252	57			**7,480**
	Germany	8,869	75,855	2,498	757		**87,979**
	Italy						
	Rest of the world	3,558					**3,558**
Total		**18,598**	**77,107**	**2,555**	**757**		**99,016**
Current operating income		**8,820**	**(3,901)**	**(4,031)**	**481**	**(7,992)**	**(6,623)**
Impairment			(1,582)		5	3	(1,574)
Other non-current income and expenses		(102)	(19)	(14)	(11)	(124)	(270)
Operating income		**8,718**	**(5,502)**	**(4,045)**	**475**	**(8,113)**	**(8,467)**
Share in income from associates				101	(346)		(245)

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

Note 5. Staff costs

(in thousands of euros)	**06/30/2011**	**06/30/2010**
Employee compensation	3,689	3,806
Social security and insurance expense	1,390	1,437
Other staff costs	(30)	12
Other employee benefits and share-based payments (IFRS 2)	178	4,142
Total staff costs	**5,227**	**9,397**

Staff costs fell by €4,170 thousand, mainly as a result of:

- the significant reduction in the cost related to the grant of free shares (none were granted during the first half of 2011); and
- the reduction of the workforce by 20 persons.

Workforce at close of the period	**06/30/2011**	**06/30/2010**
Managers, employees and contributors	235	266
Total	**235**	**266**

The Group's total workforce amounts to 235 employees, 158 of whom are employed in wind activities.

Note 6. Net financial result

Cost of gross financial debt *(in thousands of euros)*	06/30/2011	06/30/2010
Interest expense on financing operations	(7,308)	(12,422)
Total	**(7,308)**	**(12,422)**

Income from cash and cash equivalents *(in thousands of euros)*	06/30/2011	06/30/2010
Interest income generated by cash and cash equivalents	67	69
Changes in fair value of cash equivalents	440	29
Other income	-	1
Income from cash and cash equivalents	**507**	**99**

Cost of net financial debt	**(6,801)**	**(12,323)**

The cost of net financial debt, and its evolution, may be analyzed as follows:

Change in the cost of net financial debt *(in thousands of euros)*	06/30/2011	06/30/2010	Change
OCEANE bond	(1,681)	(7,551)	*(5,870)*
Wind farms in operation in Germany	(2,132)	(1,757)	*+375*
Wind farms in operation in France	(1,586)	(1,738)	*(152)*
Wind farms in operation in Italy	(766)	-	*+766*
Wind farms under development in Italy	(244)	(253)	*(9)*
Wind farms in operation in Morocco	+29	-	*(29)*
Solar park in operation in Germany	(248)	(270)	*(22)*
Financing of the business operated by THEOLIA Naturenergien GmbH	(181)	(592)	*(411)*
Other	+8	(162)	*(170)*
Total	**(6,801)**	**(12,323)**	***(5,522)***

The fall in interest expense is mainly attributable to:

- the conversion impact following the restructuring of the Group’s convertible bond (cf. note 16);
- the repayment of the loans financing the business operated by THEOLIA Naturenergien GmbH.

The interest expense related to the convertible bond (OCEANE) is strongly decreasing. The bond conversions that occurred during the first half of 2011 generated an interest expense reversal of 4.1 million euros.

The increased interest expense in Italy is attributable to the Giunchetto wind farm which became operational during the second half of 2010, thereby triggering amortization of the loan.

Other financial income *(in thousands of euros)*	**06/30/2011**	**06/30/2010**
Change in the fair value of financial instruments	-	12
Reversals of provisions	213	345
Foreign exchange gains	81	464
Other financial income	228	541
Other financial income	**522**	**1,362**

Other financial expense *(in thousands of euros)*	**06/30/2011**	**06/30/2010**
Changes in the fair value of hedging derivatives/debts	48	(4,519)
Changes in the fair value of short-term securities and other speculative instruments	(81)	(166)
Foreign exchange losses	(187)	(327)
Financial charges for depreciation and provisions	-	(322)
Other financial expenses	(190)	(2,825)
Other financial expenses	**(409)**	**(8,158)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**113**	**(6,796)**

Since January 1, 2011, certain financial instruments have been designated as cash flow hedges.

Note 7. Tax expenses

(in thousands of euros)	**06/30/2011**	**06/30/2010**
Corporate tax owed	(661)	(1 523)
Deferred taxes	995	1 392
Total	**334**	**(131)**

Note 8. Goodwill

Change in the item

(in thousands of euros)	**Gross amount**	**Impairment**	**Net amount**
Opening values as of 01/01/2011	**208,104**	**136,966**	**71,138**
Closing values as of 06/30/2011	**208,104**	**136,966**	**71,138**

Category *(in thousands of euros)*	Gross amount	Impairment	Net amount as of 06/30/2011
DCS* of wind farms in France	11,319	-	11,319
DCS of wind farms in Germany	75,957	55,628	20,328
DCS of wind farms in Italy	26,599	-	26,599
DCS of wind farms in Spain	1,650	1,645	5
DCS of wind farms in Other countries	1	-	1
Wind energy production activity	90,757	77,875	12,883
Non-wind activity	109	109	-
Corporate activity	1,711	1,709	2
Total	**208,103**	**136,966**	**71,138**

*DCS: Development, construction, sale

The Group reviewed its assets with regard to the IAS 36 standard and did not identify any impairment factor as of June 30, 2011.

Note 9. Intangible assets

(in thousands of euros)	Projects under development	Development costs (1)	Software and similar rights	Other intangible assets	TOTAL
Gross amounts as of 01/01/2011	**52,124**	**12,457**	**763**	**73,670**	**139,014**
Acquisitions and assets generated internally	2,893	305	51	91	**3,340**
Decrease	(870)	-	-	(187)	**(1,057)**
Currency translation adjustments	-	-	-	(960)	**(960)**
Other changes	8	38	-	-	**46**
Reclassification of discontinued activities	(36)	-	-	-	**(36)**
Gross amounts as of 06/30/2011	**54,119**	**12,800**	**814**	**72,614**	**140,348**
Total depreciation and amortization as of 01/01/2011	**(12,413)**	**(1,754)**	**(663)**	**(33,890)**	**(48,720)**
Amortization	(213)	(29)	(42)	(1,766)	**(2,050)**
Depreciation for impairment	(216)	-	-	-	**(216)**
Reversals on disposals	564	-	-	-	**564**
Currency translation adjustments	-	-	-	549	**549**
Other changes	(10)	-	-	-	**(10)**
Total depreciation and amortization as of 06/30/2011	**(12,288)**	**(1,783)**	**(705)**	**(35,107)**	**(49,883)**
Net amounts as of 01/01/2011	**39,711**	**10,703**	**100**	**39,780**	**90,294**
Net amounts as of 06/30/2011	**41,831**	**11,017**	**109**	**37,507**	**90,465**

(1) Mainly including the development costs of wind projects.

The gross value of wind projects under development rose by €1,995 thousand due to the progress on projects developed internally. The €2,893 thousand of acquisitions and internally-generated assets for the period related:

- in France, to progress on wind projects under development (impact of €533 thousand);
- in Italy, to progress on projects (impact of €1,980 thousand).

The €1,766 thousand amortization charge for other intangible assets mainly related to the Moroccan wind farm (impact of €1,343 thousand). The balance relates to wind farms installed in Germany.

Note 10. Tangible assets

(in thousands of euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	**TOTAL**
Gross amounts as of 01/01/2011	**6,362**	**3,697**	**30,248**	**323,793**	**3,765**	**367,865**
Acquisitions	22	16	16,298	177	579	**17,092**
Disposals	-	(67)	(210)	(221)	(1)	**(499)**
Currency translation adjustments	-	(3)	-	(6)	(4)	**(13)**
Other changes	-	666	-	5,666	(19)	**6,313**
Gross amounts at 06/30/2011	**6,384**	**4,309**	**46,336**	**329,409**	**4,320**	**390,758**
Total depreciation and amortization at 01/01/2011	**(1,177)**	**(1,622)**	**(2,197)**	**(81,823)**	**(2,256)**	**(89,075)**
Amortization	-	(52)	-	(3,873)	(150)	**(4,075)**
Depreciation for impairment	-	-	(28)	-	4	**(24)**
Reversals on disposals	-	10	48	-	-	**58**
Currency translation adjustments	-	1	-	4	-	**5**
Other changes	-	-	-	10	(6)	**4**
Total depreciation and amortization as of 06/30/2011	**(1,177)**	**(1,663)**	**(2,177)**	**(85,682)**	**(2,408)**	**(93,107)**
Net amounts as of 01/01/2011	**5,185**	**2,075**	**28,051**	**241,970**	**1,509**	**278,790**
Net amounts as of 06/30/2011	**5,207**	**2,646**	**44,159**	**243,727**	**1,912**	**297,651**

(1) Mainly relating to wind farms under operation.

The primary changes in tangible assets apply to projects under construction and technical facilities (wind farms).

The gross value of projects under construction increased by €16,088 thousand, mainly as a result of the 18.4 MW Gargouilles project in France which is nearing completion and began pre-operating testing at the end of June 2011. The costs allocated to this project during the half year amounted to €15,838 thousand.

The €6,313 thousand in "Other changes" is related to the 4.5 MW Rabenau wind farm which has been commissioned in Germany during the year.

The €3,873 thousand charge for amortization of technical facilities is mainly related to Germany.

Note 11. Inventories

(in thousands of euros)	06/30/2011
Wind projects	18,793
Turbine components and other parts	1,692
Depreciation	(5,283)
Net amount	**15,202**

(in thousands of euros)	Gross amount	Depreciation	06/30/2011 Net amount	12/31/2010 Net amount
Germany	12,788	(904)	11,884	15,765
France	2,958	(1,760)	1,197	1,847
Rest of the world	2,918	(1,062)	1,856	2,046
Italy	432	(166)	265	148
Corporate	1,390	(1,391)	(1)	-
	20,485	**(5,283)**	**15,202**	**19,805**

German inventory (amounting to €12,788 thousand) consists of wind projects held for trading (€11,973 thousand) and turbine components (€815 thousand). The overall fall in inventories essentially reflects the reclassification to non-current assets of a 4.5 MW project commissioned during the first half.

Net project inventory for the rest of the world mainly relates to Brazilian projects (€979 thousand).

Note 12. Cash and cash equivalents

(in thousands of euros)	06/30/2011	12/31/2010
Marketable securities (net)	51,443	64,977
Cash	37,270	45,455
Total cash and cash equivalents	**88,713**	**110,432**
Bank overdrafts	-	(71)
Net cash	**88,713**	**110,361**

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

The Group's cash consists of an available part, a reserved part, and a blocked part. As of June 30, 2011, the Group's total cash and cash equivalents amounts to €88,713 thousand.

Free cash +€49,209 thousand (i.e. 55.5% of total cash and cash equivalents)

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

- THEOLIA SA (holding company) +€38,251 thousand
- France excluding the holding company +€3,020 thousand
- Germany +€5,958 thousand
- Italy +€1,830 thousand
- other countries +€150 thousand

Reserved cash +€16,621 thousand (i.e. 18.7% of total cash and cash equivalents)

This part represents the cash which special purpose vehicles cannot use freely under their financing terms and conditions. The reserved cash finances their current operations.

It breaks down as follows:

- France excluding the holding company +€6,083 thousand
- Germany +€5,778 thousand
- Italy +€472 thousand
- other countries +€4,288 thousand

Pledged cash +€22,883 thousand (i.e. 25.8% of total cash and cash equivalents)

This cash may not be freely used for current operations. It primarily reflects pledges made to banks to the extent that it is used to repay subsidiary loans.

• THEOLIA SA (holding company)	+€120 thousand
• France excluding the holding company	+€3,722 thousand
• Germany	+€15,582 thousand
• Italy	+€1,305 thousand
• Rest of the World	+€2,154 thousand

As of June 30, 2011, 58% (€51,271 thousand) of total cash and cash equivalents were invested. All such investments take the form of very liquid term deposits or short-term fixed income securities. All such investments are immediately available.

Note 13. Activities discontinued, sold or assets held for sale

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

However, given in particular the economic climate, the Group has not yet finalized the disposal of all of its non-wind activities as of June 30, 2011. The Group is actively pursuing the disposal plan for those activities.

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

Since December 31, 2009, they have been accounted for in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations." As of June 30, 2011, this accounting treatment was maintained.

Thus, all transactions for the period relating to the environmental division have been combined on the income statement line "Income net of corporate tax from discontinued activities or assets held for sale". The assets and liabilities were combined on a line on the asset and liability sides of the balance sheet "Assets/liabilities held for sale."

The asset values were depreciated on the basis of the probable selling prices. As a result, impairment of €3,474 thousand was recognized at the end of 2010. As of June 30, 2011, the provision has been adjusted to reflect the change in the applicable net assets: an increase of €552 thousand was recorded.

Information on the income statement as of June 30, 2011

(in thousands of euros)	THEOLIA Group pre-IFRS 5 06/30/2011	IFRS 5 restatements	THEOLIA Group restated for IFRS 5 06/30/2011
Revenue	**32,150**	**(4,756)**	**27,394**
Current operating income	**774**	**582**	**1,356**
Impairment	(241)	-	(241)
Operating income	**93**	**666**	**759**
Financial result	**6,559**	**129**	**6,688**
Net income from continued activities	**(6,309)**	**701**	**(5,608)**
Net income from activities held for sale	-	(1,253)	(1,253)
NET INCOME of the consolidated Group	**(6,309)**	**(552)**	**(6,861)**
Attributable to the Group	(6,095)	(552)	(6,647)
Attributable to non-controlling interests	(214)	-	(214)

Information on the income statement as of June 30, 2010

(in thousands of euros)	THEOLIA Group pre-IFRS 5 06/30/2010	IFRS 5 restatements	THEOLIA Group restated for IFRS 5 06/30/2010
Revenue	**103,034**	**(4,018)**	**99,016**
Current operating income	**(9,301)**	**2,677**	**(6,623)**
Impairment	(308)	(1,266)	(1,574)
Operating income	**(9,794)**	**1,326**	**(8,467)**
Financial result	**19,010**	**109**	**19,119**
Net income from continued activities	**(29,338)**	**1,376**	**(27,962)**
Net income from activities held for sale	-	(553)	(553)
NET INCOME of the consolidated Group	**(29,339)**	**824**	**(28,515)**
Attributable to the Group	(28,802)	824	(27,978)
Attributable to non-controlling interests	(535)	-	(535)

Note 14. Share capital

	Par value (€)	Number of shares as of 01/01/2011	Free shares	Creation of shares by conversion of OCEANE bonds	06/30/2011	
Number of shares	1	110,292,782	44,407	17,081,158	127,418,347	*
Number of securities	**1**	**110,292,782**	**44,407**	**17,081,158**	**127,418,347**	
Share capital		**110,292,782**	**44,407**	**17,081,158**	**127,418,347**	

*including 119,456 treasury shares as of June 30, 2011

As of June 30, 2011, the capital was composed of 127,418,347 shares with a par value of €1.

17,081,158 shares were created by conversion of OCEANE bonds compared with 9,521,016 shares as of December 31, 2010.

Note 15. Share-based payments

Share subscription warrants

Warrants exercisable as of December 31, 2010	**3,562,106**
Warrants canceled	(1,500,000)
Balance as of June 30, 2011	**2,062,106**

During the first half of 2011, 1,500,000 warrants expired before they had been exercised and have therefore been cancelled.

Free shares

No free shares were granted by the Group during the period.

	Shares allocated	New shares created	Free shares canceled	Free shares renounced	New shares still to be created
02/11/2009	44,407	44,407			-
06/11/2009	199,426			(199,426)	-
12/17/2009	1,413,278		(60,000)	(998,278)	355,000
In 2009	**1,657,111**		**(60,000)**	**(1,197,704)**	**355,000**
02/22/2010	210,000		(30,000)		180,000
In 2010	**210,000**		**(30,000)**		**180,000**
Total	**1,867,111**		**(90,000)**	**(1,197,704)**	**535,000**

The shares remaining to be created do not take account of the potential impact of presence and performance criteria.

The shares granted in December 2009 will be definitively acquired on expiry of a vesting period commencing on the date of the share grant (continued presence in the Group); 330,000 of these shares are also subject to performance criteria.

The shares granted in February 2010 are not subject to any presence or performance criteria for 2011 and have therefore already been acquired by their beneficiary.

The charge of (€129 thousand) recognized during the period relates to the shares granted in 2009.

The estimated expense based on the criteria of presence and performance remaining to be recognized is (€115 thousand).

Stock options

No stock options were granted during the period.

The expense recognized as of June 30, 2011 for the options granted on December 1, 2010 to the Chief Executive Officer of THEOLIA SA amounted to (€50 thousand).

Note 16. Financial debt

Change in borrowings and financial debt

(in thousands of euros)	Bank loans	Convertible bond	Bank overdrafts and equivalents	Other financial liabilities	**TOTAL**
Opening amounts as of 01/01/2011	**222,123**	**117,506**	**72**	**8,406**	**348,107**
Increase	18,860	6,056	-	453	**25,369**
Repayments	(25,949)	(25,982)	(72)	(1,113)	**(53,116)**
Currency translation adjustments	(32)	-	-	-	**(32)**
Other changes	(664)	-	-	-	**(664)**
Financial debt	**214,338**	**97,580**	**-**	**7,746**	**319,664**

As of June 30, 2011, financial debt amounted to €319,664 thousand, down €28,442 thousand compared to December 31, 2010.

The change reflects the following factors:

Bank loans	**(€7,785 thousand)**

New borrowings amounted to €18,860 thousand:

- additional project finance in France (Gargouilles) +€11,521 thousand
- additional project finance in Germany +€6,863 thousand
- other elements (capitalization of interest) +€476 thousand

Repayments of existing borrowings amounted to (€25,949 thousand):

- repayment of a corporate financing facility in Germany (€11,626 thousand)
- repayment of project finance in Germany (€4,900 thousand)
- scheduled repayment of project finance (France, Germany, Italy, Morocco) (€9,423 thousand)

As of June 30, 2011, the Group had no additional available corporate financing facilities.

Convertible bond	**(€19,926 thousand)**

The convertible bond fell by €19,926 thousand following:

- payment of €4,593 thousand of interest accrued as of December 31, 2010;
- the conversion of 1,976,986 OCEANE bonds (impact of €21,389 thousand) during the first half; and
- the recognition of €6,056 thousand of additional interest payable and additional interest (EIR) due to the hybrid nature of the loan.

Other financial debt	**(€660 thousand)**

The change in other financial liabilities reflects:

- the change in fair value of interest rate hedging instruments (€771 thousand)
- the change in current account balances +€111 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 thousands of euros)	- 1 year	> 1 year < 5 years	> 5 years	TOTAL 06/30/2011	TOTAL 12/31/2010
Convertible bond	**2,173**	**95,406**	**-**	**97,580**	**117,506**
Revolving facility (corporate)	**-**	**-**	**-**	**-**	**11,626**
Project financing	**68,431**	**58,047**	**88,523**	**214,339**	**210,497**
. France	54,374	6,052	12,762	*73,188*	*63,997*
. Italy	11	5,133	29,478	*34,622*	*34,362*
. Germany	13,004	46,201	46,282	*105,487*	*110,046*
. Morocco	1,042	-	-	*1,042*	*2,092*
				311,919	**339,629**
Hedging derivatives	**5,184**	**-**	**-**	**5,184**	**5,956**
. France	4,574	-	-	4,574	5,206
. Italy	609	-	-	609	750
Bank overdrafts	**-**	**-**	**-**	**-**	**72**
Other financial debt	**200**	**2,362**	**-**	**2,562**	**2,449**
. Holding company	200	-	-	200	**156**
. Italy	-	2,362	-	2,362	2,293
TOTAL FINANCIAL DEBT	**75,988**	**155,154**	**88,523**	**319,664**	**348,107**

The current part of total financial debt as of June 30, 2011 amounted to €75,988 thousand, breaking down as follows:

- €49,383 thousand of project finance for several French wind farms reclassified as current financial debt given that certain financial covenants have not been respected and the lenders had not provided any waiver as of June 30, 2011. The reclassification is as required by IAS 1R.69. No lender has requested early repayment;
- €19,048 thousand representing the current part of long-term borrowings;
- €2,173 thousand of interest payable on OCEANE bonds in January 2012;
- €5,184 thousand in respect of the fair value of interest rate hedging instruments;
- €200 thousand of other financial debt (current account balances).

Highlights since December 31, 2010:

- the net reduction in the convertible bond by €19,926 thousand;
- the totality of the €11,626 thousand of corporate facilities financing the activities of THEOLIA Naturenergien was repaid;
- use of the Gargouilles (France) project facility was increased by €11,521 thousand as of June 30, 2011. The total facility amounts to €27.9 million including €4.7 million for VAT;
- interest rate hedging instruments were contracted for the Gargouilles project finance.

OCEANE bond

The convertible bond is based on the following characteristics:

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

As of June 30, 2011, the main characteristics of the issue are as follows:

• type of financial instrument	OCEANEs
• number of bonds	8,459,406
• initial par value	+€240,000 thousand
• new par value as of July 21, 2010	+€219,577 thousand
• maximum amount repayable in case of request for early repayment on January 1, 2015	+€129,344 thousand
• date of maturity	January 1, 2041
• annual interest rate until December 31, 2014	2.70%
• annual interest rate with effect from January 1, 2015	0.10%
• conversion ratio until the 7th working day prior to December 31, 2013	8.64 shares per OCEANE
• conversion ratio until the 7th working day prior to December 31, 2014	6.91 shares per OCEANE
• redemption price on January 1, 2015	€15.29 per OCEANE
• redemption price on January 1, 2041	€20.77 per OCEANE

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

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

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

The annual interest charge for the OCEANEs outstanding as of June 30, 2011 is detailed below (in thousands of euros, and not taking into account any potential impact of conversions):

Year	Interest at the rate of 2.70%	Interest at EIR	**Additional interest of**
2011	4,347	8,049	3,703
2012	4,358	13,175	8,817
2013	4,347	14,306	9,959
2014	4,347	15,626	11,279
	17,398	**51,156**	**33,758**

Analysis by type of rate

Analysis by type of rate before the impact of hedging:

(in thousands of euros)	06/30/2011	12/31/2010
Fixed rate	210,057	229,314
Variable rate	109,608	118,793
TOTAL	**319,665**	**348,107**

Fixed rate borrowings amounted to €210,057 thousand, or 65.8% of total borrowings as of June 30, 2011, and breaks down as follows:

- convertible bond +€97,580 thousand
- project financing
  - Germany +€98,690 thousand
  - Italy +€10,382 thousand
  - Morocco +€1,042 thousand
- other debt (Italy) +€2,362 thousand

Variable rate debt amounted to €109,608 thousand, or 34.2% of total borrowings as of June 30, 2011, and breaks down as follows:

- project financing
  - France +€77,762 thousand
  - Italy +€24,850 thousand
  - Germany +€6,796 thousand
- other financial debt (current account balances) +€200 thousand

Analysis by type of rate after the impact of hedging:

(in thousands of euros)	06/30/2011	12/31/2010
Fixed rate	291,120	304,017
Variable rate	28,544	44,090
TOTAL	**319,664**	**348,107**

As of June 30, 2011 and after the impact of hedging, fixed rate borrowings amounted to €291,120 thousand or 91.0% of total borrowings.

Note 17. Derivative financial instruments

The derivatives set up to manage the rate risk on variable rate loans are recognized at their fair value as of June 30, 2011.

The change in fair value of interest rate swaps (on a like-for-like basis) during the half year amounted to +€1,066 thousand, thereby increasing the amount of the Group's shareholders' equity and comprehensive income.

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

As of June 30, 2011, the change in fair value of this instrument had a negative impact on shareholders' equity of (€321 thousand).

(in thousands of euros)	**06/30/2011**
Fair value of new hedging instruments contracted during the period	(321)
Effective portion of the change in fair value of other instruments	1,066
Change in fair value of hedging instruments recognized within comprehensive income	**745**

Note 18. Covenants

The Group has two categories of borrowings:

- corporate borrowings: OCEANE
- project finance: this financing, linked to the construction of wind farms (France, Germany, Italy, Morocco) 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).

Between December 31, 2010 and June 30, 2011 the change in current borrowings was as follows:

Short-term bank borrowings as of 12/31/2010	**+€81,903 thousand**
Net impact for the 1st half of 2011 of new borrowings and repayments	(€22,705 thousand)
Reclassification of amounts from current financial debt to non current financial debt following the obtaining of waivers as of June 30, 2011	(€22,525 thousand)
Reclassification of amounts from non current financial debt to current financial debt following non-compliance with the applicable covenants as at June 30,2011	+€31,758 thousand
Short-term bank borrowings as of June 30, 2011	**+68,431 thousand**

As of June 30, 2011, a total of €49,383 thousand of project finance has been reclassified as current financial debt in respect of the loans for which waivers of the applicable covenants have not been obtained.

As of June 30, 2011, the debt cover ratio for the project finance of some operating wind farms was not met because of the weakness of wind conditions over the last twelve months. The maintenance costs and operating availability of these wind farms remain in line with forecast.

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

Transactions between the Group and directors

The service agreement with Georgius Hersbach ended last year. No other transactions have been concluded between the Group and directors.

(in thousands of euros)	06/30/2011	06/30/2010
Operating income	-	-
Operating expenses	-	900
	-	**900**

Executive officers' compensation

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

(in thousands of euros)	06/30/2011	06/30/2010
Salaries and bonuses	150	456
Share-based payments	50	3,855
Directors' fees	102	199
Other compensation	2	46
	303	**4,556**

During the 1st half of 2010, executive remuneration (salaries and bonuses) rose as a result of the changes in Group executives. Since mid-2010, executive remuneration has fallen significantly.

The expense as of June 30, 2011 for share-based payments is related to the share subscription options granted to the Chief Executive Officer on December 1, 2010. As of June 30, 2010, the Group had recognized a €3,855 thousand expense (cancelled during the 2nd half of the year) in respect of free shares granted to previous executive directors of THEOLIA SA.

The amount of the directors' fees paid to the members of THEOLIA's Board of Directors amounted to €102 thousand over the six-month period (€199 thousand as of June 30, 2010). The fall against 2010 is attributable to the reduction in the number of directors (seven at the beginning of 2010, six at the end of 2010 and five at present).

Note 20. Commitments and contingent liabilities

In the context of its activities of development/construction of wind farms, the Group generally establishes a subsidiary in each country in which it is present. When the Group develops a wind project in a country, the corresponding subsidiary constitutes a SPV to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These SPVs may be direct subsidiaries of the Company in some jurisdictions, or they may be held indirectly through intermediate holding companies.

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

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

These off-balance sheet commitments include:

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

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

The tables below provide the breakdown of the significant off-balance sheet commitments related to the Group's scope of consolidation, to financing and to the Company's operational activities and those of its subsidiaries as of June 30, 2011.

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

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
THEOLIA guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for an overall maximum amount of €140,000. This guarantee is currently blocked in the amount of €111,086 within the context of the dispute with the water purification plant in Cabries	N/A	0.1	**0.1**
TOTAL						**0.1**

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

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Credit institutions	Pledges to different banks of a certain number of accounts opened in their books to guarantee the costs that could arise when dismantling certain wind farms in Germany	Variable according to term of loan granted	6.9	**6.7**
Pledge of bank accounts Pledge of cash balances	SPVs France	Credit institutions	Pledge with banks of accounts opened on their books	Variable according to term of loan granted	3.7	**3.7**
Pledge of SPV shares	SPVs	Credit institutions or their assignees	Certain Group companies – listed below – may be required to pledge their bonds as security for lenders.	Variable according to term of loan granted	63.8	**67.3**
TOTAL						**77.7**

Guarantees for wind farm financing

The companies in the Group have to grant guarantees in connection with the financing of wind farms by financial institutions or for the dismantling of wind turbines. These guarantees are pledges of the stock of the companies owning the wind projects for the duration of the long-term loan.

The table below shows the assets pledged by the Group as of June 30, 2011:

Entity	Pledge starting date	Pledge expiry date	Amount of pledged assets in thousands of €
France			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA (1)	09/22/2006	04/30/2021	2,358
CESA	10/12/2006	12/31/2020	30
THEOWATT	06/21/2007	12/31/2023	40
CEPLO	06/21/2007	12/31/2022	184
CEMDF	06/21/2007	12/31/2022	56
CESAL	03/20/2008	12/31/2023	645
CEGAR	01/28/2011	01/28/2026	40
CORSEOL	06/30/2011	03/15/2018	1,908
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
Italy			
Aero-Chetto Srl (2)	12/15/2009	06/30/2025	530
Vibinum Srl	12/24/2010	Variable	7,500
Garbino Eolica Srl (Pergola) (2)	07/10/2009	Variable (3)	1,164
Germany			
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) *	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) (2)	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) (2)	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG (2)	06/26/2009	Variable	2,559
Group Total as of June 30, 2011			**67,289**

(l) *Pledged amount following the increase in the carrying amount of the applicable securities as of June 28, 2010*

(2) *Pledges made for the assignee and not for a financial establishment*

(3) *Pledge extended for an indefinite period until final payment of the balance of the acquisition price or lapse thereof as a result of rejection of the claim for action ultra vires against the Autorisation Unique*

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

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Lease agreement for registered office	THEOLIA SA	La Halte De Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the registered office premises for a term of 9 years (from March 1, 2008) with no early termination option.	February 28, 2017	2.9	**2.5**
Customary liabilities guarantees	Certain companies in the Group	Purchasers	The Group's companies in France, Germany and Italy grant the customary assets and liabilities guarantees to purchasers for periods varying from between 18 and 36 months when selling wind farms.	Variable (from 18 to 36 months)	N/A	**N/A**
TOTAL						**2.5**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Non-compete undertaking	THEOLIA SA	THEOLIA SA	Three year non-compete commitment in Europe by Jean-Marie Santander if he leaves THEOLIA SA	September 29, 2011	N/A	**N/A**
Non-recruitment undertaking	THEOLIA France SAS	THEOLIA France SAS	Three year non-compete commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2012	N/A	**N/A**
Non-recruitment undertaking	THEOLIA France SAS	THEOLIA France SAS	Five year non-recruitment commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2014	N/A	**N/A**
Miscellaneous guarantees	Certain companies in the Group	Certain companies in the Group	As part of its construction and development operating activities, some of the Group's companies are sometimes given guarantees by certain turbine manufacturers covering the operation of wind farms, as well as construction (deposit) and completion guarantees by certain sub-contractors.	Variable	N/A	**N/A**
TOTAL					**N/A**	**N/A**

STATUTORY AUDITORS' REVIEW REPORT ON FIRST HALF YEAR FINANCIAL INFORMATION FOR 2011

(for the period January 1, 2011 to June 30, 2011)

This is a free translation into English of the Statutory auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 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, 2011;
- 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.

I. 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:

- the "Accounting policies" note to half year consolidated financial statements, which sets out the changes in accounting methods arising from the application, as from January 1, 2011, of new standards and interpretations,
- the note 2 to half year consolidated financial statements, which describes the restatement of comparative information for the period ended June 30, 2010 in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors.

II. 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.

Paris and Marseille, August 31, 2011

The Statutory auditors

French original signed by

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

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the 2011 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 31, 2011,

Fady Khallouf

Chief Executive Officer