



THEOLIA

Press release

Aix en Provence, September 3, 2008

THEOLIA : Strong growth in both operational capacity and EBITDA Strengthening of its activity for own account

- 661 MW total installed capacity, an increase of 411 MW in one year
- More than 20% growth in consolidated sales
- 409% growth in sales of electricity for own account
- Increase of €12 million in consolidated EBITDA
- Confirmation of target of 2,000 MW in operation by the end of 2011
- Strengthening of its executive team

Jean-Marie Santander, Chairman and Chief Executive Officer of THEOLIA: “2008 marks an important step for the Group THEOLIA: production of electricity for own account has a strong impact on our accounts; the Group has decided to keep a maximum number of wind farms and to decrease sales to third parties, especially in Germany. We expect to have a minimum capacity of 1,135 MW by the end of 2009, without considering additional wind farms which will be acquired in the remaining 18 months. In addition, the Group has secured the supply of more than 1,000 MW of wind turbines. Thus the target of 2,000 MW by the end of 2011 is solid. Taking into consideration the new dimension of the Group and following my proposal, THEOLIA has decided to disassociate the roles of Chairman and CEO, and to recruit two General Managers.”

OPERATING ACTIVITY

Installed capacity in operation

The installed capacity of wind farms in operation for own account increased by 277 MW, going from 73 MW on June 30, 2007 to 350 MW on June 30, 2008.

The installed capacity of wind farms in operation for third parties increased by 134 MW, going from 177 MW on June 30, 2007 to 311 MW on June 30, 2008.

Overall, the installed capacity of wind farms operated by the Group THEOLIA amounted to 661 MW on June 30, 2008.

Pipeline

On June 30, 2008, the pipeline of THEOLIA totaled 2,796 MW, broken down as follows:

In MW on June 30, 2008	Western Europe	Emerging countries	TOTAL
In construction	199	-	199
Permits obtained	190	55	244
Permits applied	597	454	1,051
In development	627	23	649
Prospecting	262	390	653
TOTAL	1,875	922	2,796

The Group expects to commission by the end of 2009 a capacity of 474 MW out of the 1,875 MW of projects in Western Europe. With 661 MW already in operation and including this additional expected capacity, the Group anticipates an installed capacity of at least 1,135 MW in operation by the end of 2009.

By the end of 2011, this growth will be augmented by organic development in Western Europe and in emerging countries over 2010 and 2011, as well as potential acquisitions.

The Group is confident in the confirmation of its target of 2,000 MW in operation by the end of 2011.

Supply of wind turbines

In order to assure the construction of its wind farms, the Group pursues an active policy of securing the supply of turbines.

The Group has secured the supply of turbines from six suppliers for its wind farms that will be commissioned from now until the end of 2009.

Moreover, THEOLIA has signed two memoranda of understanding with Siemens:

- the first refers to the delivery of turbines representing an installed capacity of 300 MW by the end of 2012,
- the second, in the context of the international bid tender launched by ONE (the Moroccan state electricity company) in Morocco for a 300 MW wind farm, refers to the delivery of turbines representing an installed capacity of 300 MW (not included at this stage in the pipeline). This MOU contains a clause stating that this capacity could be transferred in a framework agreement if THEOLIA is not selected.

As such, the Group THEOLIA has secured the supply of more than 1,000 MW of wind turbines.

FINANCIAL REVIEW

Financial statement

The **consolidated sales** for the Group THEOLIA reached €61.9 million in the first half 2008, an increase of more than 20% over the first half 2007.

Electricity sales from wind energy grew from €22.2 million as of June 30, 2007, to €53.2 million as of June 30, 2008, an increase of 139%.

The Group decided not to realize any sales of wind farms to third parties during the first half of 2008, whereas the first half 2007 recorded sales of €16.1 million.

Sales from the non-wind activities for the period amounted to €8.7 million. Within a constant scope of consolidation (the Group consolidates Thenergo using the equity method since July 2007), this activity grew by 44% compared with the first half 2007.

The **consolidated EBITDA** of the Group THEOLIA increased by €12 million compared to the first half 2007. This growth is the direct result of the strong increase in the EBITDA from electricity sales for own account.

The financial statement of the Group THEOLIA is as follows:

(in € million)	June 30, 2008	June 30, 2007
Sales	61.9	51.0
EBITDA	8.6	(3.3)
Current operating income	(17.1)	(16.4) ⁽¹⁾
Operating income	(16.7)	3.6
Financial income	(10.8)	(0.7)
Net profit/loss	(26.2)	6.3
Net profit/loss (Group share)	(25.3)	6.2

(1) Reclassification of €5.3 million from the item « Other non-current operating income and expenses » to the item « Other current operating income and expenses », in order to improve the comparison between the current operating income with that of 2008. The current operating income published on June 30, 2007 was €(11.1) million.

Current operating income

The scale of investments led to the accounting of depreciations and provisions which had a significant impact on the **current operating income**, amounting to €(17,1) million as of June 30, 2008.

Consolidated net profit

The difference between the recorded **net profits** as of June 30, 2007 and June 30, 2008 can be explained by two major items:

- In the first half of 2007, THEOLIA recorded an exceptional dilution profit of €20 million from its shares in Thenergo, whereas during the first half of 2008, the Group registered a dilution profit of only €0.6million.
- The cost of net financial debt increased by €11.4 million between the first half of 2007 and the first half of 2008, mainly due to the accounting interest charges on the convertible bond (OCEANES) as well as the increase in interest charges related to acquisitions of wind farms in 2007.

Performance by business segment

(in € million)	Sales of electricity from wind energy	Development, construction and sales of wind farms	Non-wind activity	Holding	Total
Sales	53.2	N/S⁽²⁾	8.7	-	61.9
Of which own account	30.2				
third parties	23.0				
EBITDA ⁽¹⁾	21.2	(6.3)	(1.3)	(5)	8.6

(1) EBITDA = current operating income + depreciation/provision, before non cash compensation costs (allocation of stock grants and warrants)

(2) Non significant

The performance of the first half illustrates the **rapid increase in production of electricity for own account, THEOLIA's core business:**

- the installed capacity of the wind farms owned by the Group grew from 73 MW on June 30, 2007 to 350 MW on June 30, 2008 (+380%),
- corresponding sales grew from €5.9 million to €30.2 million (+409%),
- corresponding EBITDA grew from €3.9 million to €22.3 million (+472%).

Evolution of net debt and cash position

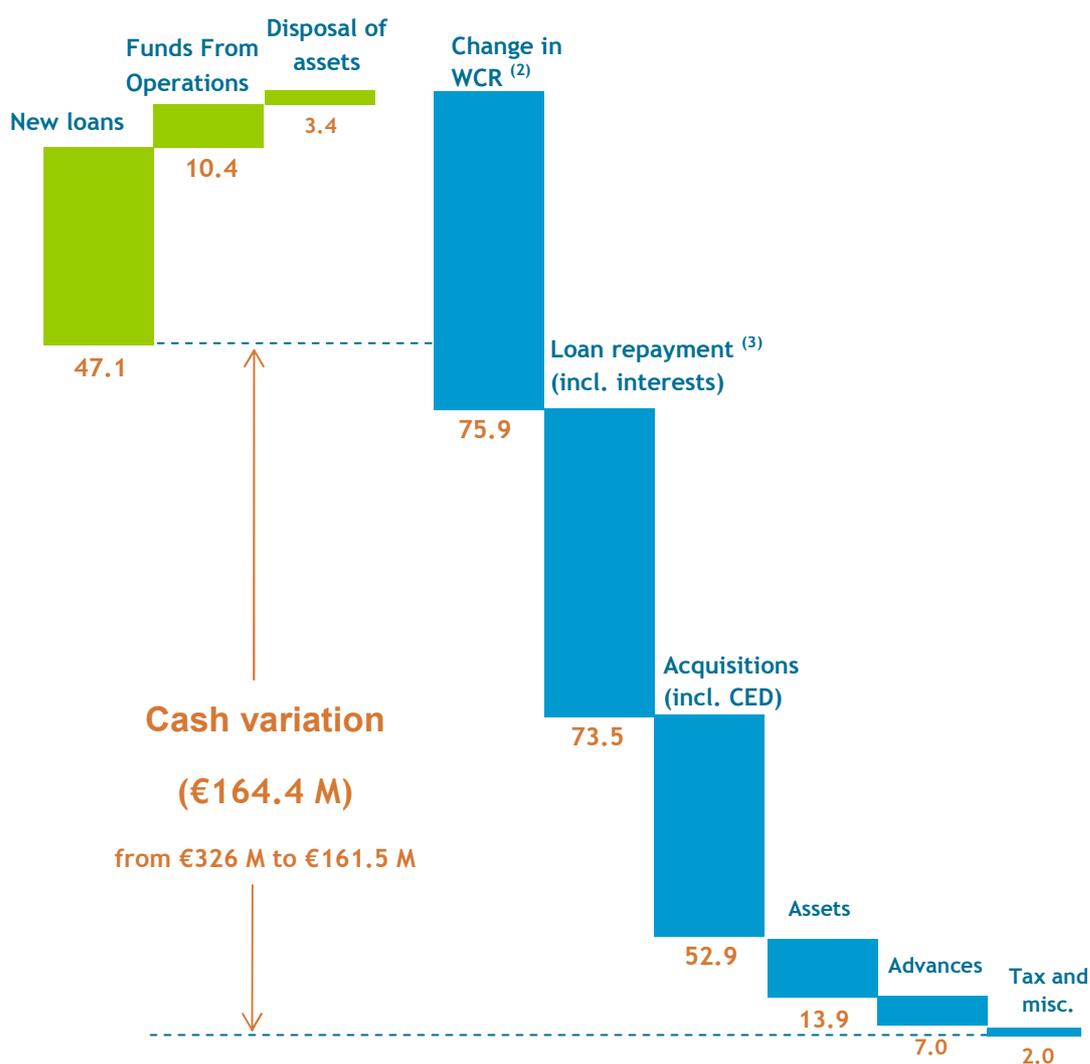
(in € million)	June 30, 2008	December 31, 2007
Non current financial debt ⁽¹⁾	247.4	256.7 ⁽²⁾
Current financial debt	109.9	90
Holding debt (OCEANES)	202	195.9
Total financial debt	559.3	542.6
Cash and cash equivalents	(161.5)	(326.2)
Net debt	397.8	216.2 ⁽²⁾

(1) 100% non recourse project financing – fixed interest rates

(2) See detail of the reclassifications compared to the published accounts on December 31, 2007 in the Notes to the financial statements on June 30, 2008 (Note 2)

Net debt

Net debt moved from €216,2 million on December 31, 2007 to €397.8 million on June 30, 2008 encompassing the reduction in cash and cash equivalents, which decreased from €326 million on December 31, 2007 to €161.5 million on June 30, 2008. This change in cash position is illustrated as follows:



The €10.4 million gross cash flow from operations generated during the first six months was absorbed by the strong increase in working capital requirement of €75.9 million.

Change in working capital requirement includes payments for nearly €70 million related to the supply of wind turbines mainly for Germany, Italy and Spain.

Concerning investments, acquisitions have been made for an amount of €53 million, including the *Compagnie Eolienne du Détroit*, as well as two wind farms in France. The remaining is linked to additional payments for acquisitions completed over previous periods.

STRATEGY

Strengthening of own account business

In order to maximize value creation for shareholders, the Chairman and CEO of THEOLIA proposed to the Board of Directors to favor the development of its own account business. This strategic change received **full support from THEOLIA's Board of Directors, which includes executive members, independent members and members from GE.**

As “pure player” in the wind business, THEOLIA has decided to focus on the production of electricity while keeping a maximum number of wind farms for its own account.

Supported by a favorable regulatory environment, with attractive feed-in tariffs in Western Europe, this activity benefits from THEOLIA's expertise.

Electricity sales for own account generate a recurring and predictable stream of revenues, as well as a high EBITDA margin, over a period of 15 to 20 years.

The strategy applied in its main market, Germany, will from now on be in line with that pursued in the other European countries where THEOLIA operates.

Disassociation of the roles of Chairman and CEO

Upon the proposal of Mr. Jean-Marie Santander, Chairman and CEO, the Board of Directors has decided by the majority of its Board members present or represented to disassociate the roles of Chairman and CEO, in order to efficiently contribute to the quality of the Board's duties and to implement a corporate governance for THEOLIA in line with best practices.

In this context, Mr. Jean-Marie Santander, whose current mandate as Chairman and CEO will come to an end in June 2009, will remain Chairman of the Group. The executive search for a CEO, in charge of the implementation of the Group's strategy decided by the Board of Directors, is currently ongoing.

Strengthening of the executive team

To accompany its future growth, THEOLIA has also decided to reinforce its executive team with two majors recruits: Thierry Gagnard ⁽¹⁾ as General Manager – Finance and Serge Gracia ⁽²⁾ as General Manager- Operations.

(1) Thierry Gagnard, ESC Bordeaux (1980) – MBA (CPA, Groupe Lagardère 1997-1998), 49 years old, with more than 25 years of experience in industrial and hightech companies, including Lagardère, Nortel, Eaton Electrical. He has an international and multi-discipline experience in finance and a dynamic practice, both derived from audit, consulting and operational management.

(2) Serge Gracia, Engineer ENSI-ETA(1985)– « DESS » in Management of export companies (1991), 48 years old, with more than 23 years in industrial or renewable

energy companies. He brings an experience in international and industrial project management, notably the commissioning of large capacity wind farms, as well as a large experience in operational management of multi-discipline teams.

OUTLOOK

As of June 30, 2008, the Group had 661 MW in operation and 474 MW of projects to be commissioned by the end of 2009, not including future acquisitions and organic development through THEOLIA Emerging Markets.

The Group confirms its target of 2,000 MW in operation by the end of 2011, mainly held for own account.

The Group had announced an EBITDA target between € 55 and 65 million for 2008, on the basis of selling 170 MW to third parties during the year. This target would have been maintained if the activity of selling wind farms to third parties were continued.

Taking into account the announced strengthening of its own account activity, **2008 will be a year of transition:**

- keeping a maximum number of wind farms for own account,
- connecting wind farms in Germany to the grid in 2008 and 2009 to optimize the benefits of the recent tariff changes,
- a minimum EBITDA of €20 million.

THEOLIA focuses on a unique model of development that offers the strongest growth potential and profitability over the mid and long term.

The Group's half year financial report is available on the company's website : www.theolia.com.

Next financial publication:

November 14, 2008 : 3rd quarter 2008 sales.

APPENDICES

Consolidated balance sheet

€ thousands

ASSETS		Notes	30/06/2008	31/12/2007
	Goodwill	6	133 792	120 062
	Other intangible assets	7	131 028	75 474
	Tangible assets	8	354 083	335 240
	Investments in associates	9	62 489	63 060
	Other non-current financial assets		57 386	50 598
	Deferred tax assets		4 406	1 431
Total Non-Current Assets			743 184	645 865
	Inventories and work-in-process	10	62 198	37 877
	Turbine down payments		52 757	7 521
	Trade receivables		37 036	87 387
	Other current assets		45 979	48 751
	Income tax receivable		1 649	188
	Financial assets: current portion		3 442	1 127
	Cash and cash equivalents	12	161 516	326 197
Total Current Assets			364 578	509 048
TOTAL ASSETS			1 107 762	1 154 914
SHAREHOLDERS' EQUITY AND LIABILITIES				
	Share Capital	13	38 900	38 682
	Share premium		307 676	307 171
	Other reserves		67 033	106 552
	Net income (Group share)		(25 328)	(48 262)
	Shareholders' equity (Group share)		388 281	404 143
	Minority interests		(470)	277
Total Shareholders' Equity			387 811	404 420
	Non-current financial liabilities	15	446 983	451 819
	Provisions: non-current portion		1 099	665
	Employee benefits		274	251
	Deferred tax liabilities		35 521	27 557
	Other non-current liabilities		680	-
Total Non-Current Liabilities			484 557	480 292
	Current financial liabilities	15	112 290	90 772
	Provisions: current portion		-	435
	Trade payables and other current liabilities		98 159	137 094
	Tax and social security liabilities		16 880	28 966
	Income tax liabilities		8 065	12 935
Total Current Liabilities			235 394	270 202
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			1 107 762	1 154 914

	Notes	30/06/2008 (6 months)	30/06/2007 (6 months)
Sales		61 885	51 024
Purchases and changes in inventories		(25 983)	(34 654)
External expenses		(18 092)	(12 966)
Taxes		(1 130)	(497)
Personnel expenses	17	(15 939)	(11 988)
Depreciation and amortization		(16 243)	(4 026)
Other current operating income and expenses	18	(1 557)	(3 337)
Current Operating Income		(17 059)	(16 444)
Other non-current operating income and expenses		328	20 046
Operating Income		(16 731)	3 602
Cost of gross financial debt	19	(17 076)	(3 252)
Income from cash and cash equivalents	19	2 893	477
Cost of net financial debt	19	(14 183)	(2 775)
Other financial income and expenses	19	3 342	2 117
Share of income from associates	19	(1 278)	179
Income tax expense	20	2 668	3 160
Net income (loss) of the year		(26 182)	6 283
NET INCOME		(26 182)	6 283
Attributable to :			
Group share		(25 328)	6 172
Minority interests		(854)	111
Earnings per share	21	(0,65)	0,21
Diluted earnings per share	21	(0,45)	0,19

Note : the following reclassifications have been made during the period of June 30, 2007 in order to ensure a better comparison:

- Other non-current operating income and expenses towards Current operating income for €5,353 K
- External expenses towards Purchases for €16,162 K

Consolidated Cash flow Statement

€ thousands

	30/06/2008	30/06/2007	31/12/2007
Total net income of consolidated companies	(26 182)	6 289	(48 625)
Elimination of depreciation, amortization and provisions	15 309	4 156	18 084
Elim. of change in deferred tax	(2 668)	(3 160)	2 729
Elim. of capital gains and losses on disposals	118	(131)	(932)
Elim. of share of income from associates	1 278	185	(83)
Financial costs	15 760	-	11 720
Other income and expenses with no impact on cash flow	6 739	(12 031)	44 321
Gross Cash flow operations (A)	10 354	(4 691)	27 214
Dividends received from associates	-	-	-
Change in operating working capital requirements (B)	(75 939)	(27 768)	2 639
Income tax paid	(2 213)	(2 817)	240
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	(67 799)	(35 276)	30 093
Acquisitions of tangible and intangible assets	(11 938)	(22 718)	(48 136)
Acquisitions financial assets	(2 002)	(37 336)	(104)
Disposals of tangible and intangible assets	3 399	2 470	7 006
Change in loans	(7 092)	(8 684)	(28 913)
Impact of change in scope of consolidation	(52 919)	67	(66 516)
NET CASH FLOW USED BY INVESTING ACTIVITIES (b)	(70 551)	(66 202)	(136 663)
Dividends paid to minority shareholders	-	(29)	(29)
Treasury shares	0	177	8
Capital increase (reduction)	723	76 923	96 176
New loans and other liabilities	47 073	19 953	308 813
Repayments of borrowings and other liabilities	(62 867)	(10 256)	(23 320)
Interests paid	(10 582)	(3 250)	(11 720)
Other financing income and expenses with no impact on cash flow	-	-	(468)
NET CASH FLOW USED BY INVESTING ACTIVITIES (c)	(25 653)	83 518	369 459
Cash flow from non-current assets classified as held for sale	-	-	-
Foreign currency translation adjustments	(422)	14	(111)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	(164 425)	(17 946)	262 778
Opening net cash and cash equivalents	325 920	63 142	63 142
Closing net cash and cash equivalents	161 495	45 195	325 920
CHANGE IN CASH AND CASH EQUIVALENTS	(164 425)	(17 946)	262 778
* Cash and cash equivalents appearing in the balance sheet	161 516	47 181	326 197
Bank overdrafts	(21)	(1 986)	(278)
Net cash and cash equivalents at closing	161 495	45 195	325 920

Statement of changes in shareholders' equity

€ thousands

	Share Capital	Primes	Translation difference	Consolidated reserves and net income	Shareholders' equity-Group share	Minority interests	Total shareholders' equity
As at January 1, 2007	25 404	137 650	(9)	6 643	169 688	1 734	171 422
Translation differences			(18)		(18)		(18)
Treasury shares				177	177		177
Consolidated net income for the period				6 172	6 172	105	6 277
Subtotal : income and expenses of the period	-	-	(18)	6 348	6 330	105	6 435
Capital increase	6 376	72 709			79 085		79 085
Stock grants				3 751	3 751		3 751
Warrants allocated to employees				19	19		19
Warrants allocated to directors				3 659	3 659		3 659
Allocation of warrants to share premium					-		-
Allocation of capital increase		(2 883)			(2 883)		(2 883)
Change in scope of consolidation				12	12	(1 707)	(1 738)
Other reclassifications				291	291		291
As at June 30, 2007	31 780	207 476	(27)	20 723	259 952	89	260 041
Translation differences			253		253		253
Treasury shares				(169)	(169)		(169)
Consolidated net income for the period				(54 434)	(54 434)	(650)	(55 084)
Subtotal : income and expenses of the period	-	-	253	(54 602)	(54 349)	(650)	(54 999)
Capital increase	6 902	102 794			109 696		109 696
Stock grants				2 494	2 494		2 494
Warrants allocated to employees				19	19		19
Warrants allocated to directors				1 855	1 855		1 855
Allocation of capital increase		(3 099)			(3 099)		(3 099)
Convertible bond				26 502	26 502		26 502
Accounting impact of the acquisition of General Electric affiliates' wind farms				56 490	56 490		56 490
Change in scope of consolidation				5 830	5 830	838	6 668
Other reclassifications				(1 247)	(1 247)		(1 247)
As at December 31, 2007	38 682	307 171	226	58 064	404 143	277	404 420
As at January 1, 2008	38 682	307 171	226	58 064	404 143	277	404 420
Translation differences			(338)		(338)		(338)
Treasury shares				(458)	(458)		(458)
Consolidated net income for the period				(25 328)	(25 328)	(854)	(26 182)
Subtotal : income and expenses of the period	-	-	(338)	(25 787)	(26 125)	(854)	(26 979)
Capital increase	218	505			723		723
Stock grants				7 602	7 602		7 602
Warrants				1 555	1 555		1 555
Change in scope of consolidation				130	130		130
Other reclassifications				253	253	107	360
As at June 30, 2008	38 900	307 676	(112)	41 816	388 280	(470)	387 811

About THEOLIA

THEOLIA is a European leader in producing electricity from renewable energy. THEOLIA is present in France, Germany, Spain, Greece, Italy and in certain emerging countries through its subsidiary THEOLIA Emerging Markets: India, South America, certain Eastern European countries and Morocco.

For more information

Edward F. McDonnell
Director of Investor
Relations
Tel: +33 (0)4 42 906 594
eddie.mcdonnell@theolia.com

Dolores Muniz
Director of Communications
Tel: +33 (0)4 42 904 904
dolores.muniz@theolia.com

Elodie Fiorini
Director of Financial Communications
Tel: +33 (0)4 42 906 596
elodie.fiorini@theolia.com

THEOLIA

French *société anonyme* (public limited liability company with board of directors)
with share capital of €38,900,079

Registered office: 75 rue Denis Papin BP 80199 - 13795 Aix-en-Provence cedex 3 - France

Tel: +33 (0)4 42 904 904 – Fax: +33 (0)4 42 904 905 - www.theolia.com