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Equity Research

THEOLIA SA

FRANCE / RENEWABLE ENERGY

PRICE TARGET: €14.90
PREVIOUS CLOSE: €1.99
UPSIDE: 24.3%

INVESTMENT STORY STRENGTHENED

23 March 2006



| CONTENTS | PAGE |
|---------------------------------|------|
| THEOLIA FACT SHEET..... | 3 |
| FOCUS ON STRATEGY..... | 4 |
| CAPITAL INCREASE..... | 4 |
| FINANCE REQUIREMENTS..... | 5 |
| WIND FARM DEVELOPMENT..... | 5 |
| THE FRENCH MARKET..... | 6 |
| LATEST RESULTS..... | 7 |
| MOVE TO OFFICIAL MARKET..... | 8 |
| OUTLOOK..... | 8 |
| SUM-OF-THE-PARTS VALUATION..... | 9 |
| RISKS AND CONCERNS..... | 11 |
| TECHNICAL ANALYSIS..... | 12 |
| RECOMMENDATION..... | 13 |
| INCOME STATEMENT ANALYSIS..... | 14 |
| BALANCE SHEET ANALYSIS..... | 15 |
| DISCLAIMER..... | 16 |

THEOLIA SA

FRANCE / RENEWABLE ENERGY

Primary Exchange: Euronext Paris Symbol: MLTEO
 Secondary Exchange: Frankfurt Symbol: T7H
 Marché Libre ISIN: FR0000184814

RATING: Buy
PRICE TARGET: €14.90
RISK RATING: High

INVESTMENT STORY STRENGTHENED

COMPANY PROFILE

Theolia is primarily involved in the development, financing and operation of renewable energy projects in France. Theolia differs itself from other project developers in that the company aims to remain in ownership of its projects and generates revenues through its operations.

KEY POINTS

When the current capital increase is completed, Theolia will have raised €55.02m in funds, which should, in our opinion be sufficient to cover the equity portion of its planned pipeline.

With these funds, the company can now focus on realising its plans of having 100 MW of generating capacity before the year's end, an additional 150 MW in 2007 and an additional 150 MW in 2008.

On 16 January 2006, Theolia finalised the purchase of three wind farms located in Germany with a total output of 28.5 MW.

Theolia has applied to the AMF to enter the official market and management expect to obtain authorisation in H1 2006.

RECOMMENDATION

We are maintaining our Buy recommendation and increasing our price target to €14.90 (previously €14.40). Despite the dilution from the recent capital increase, we have increased our price target because we are of the opinion that Theolia's investment story is significantly stronger than when we initiated coverage in June 2005.

In the short term, we expect the approval of additional wind farm permits and Theolia's move to the regulated market to act as catalysts for the stock price.

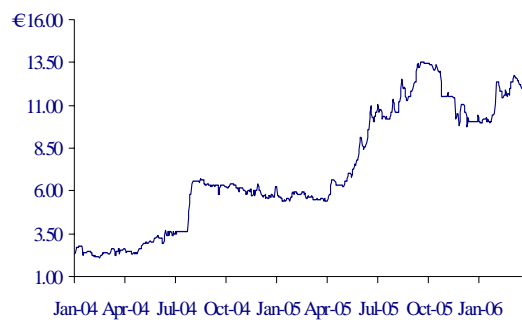
RISKS

Risks to our price target include but are not limited to: changes in legislation, the company's ability to acquire financing and permits and manage its growth.

TRADING DATA

| | |
|--|---------------|
| Market Capitalisation (22.03.06) | €183.32m |
| Shares Outstanding | 15.29m |
| Closing Price (22.03.06) | €1.99 |
| 52-Week Range | €5.38 / 13.53 |
| Free Float (According to Deutsche Börse) | 100% |
| Average Daily Share Volume (Year) | 30,092 |

STOCK OVERVIEW



FINANCIAL HISTORY & PROJECTIONS

| | FY04/05A | 2006E | 2007E | 2008E |
|---------------|----------|--------|--------|--------|
| Revenue €m | 4.03 | 36.73 | 84.04 | 114.56 |
| Yr/Yr Growth | - | 812.4% | 128.8% | 36.3% |
| EBIT €m | -0.58 | 0.99 | 11.83 | 28.08 |
| Net Income €m | 0.04 | -0.15 | 5.35 | 10.56 |
| EPS € | 0.01 | -0.01 | 0.29 | 0.57 |

COMPANY DATA (as of 30 June 2005 unless otherwise noted)

| | |
|------------------------------------|---------|
| Liquid Assets | €19.30m |
| Current Assets | €31.73m |
| Intangible Assets (incl. Goodwill) | €31.79m |
| Total Assets | €76.49m |
| Current Liabilities | €27.27m |
| Total Shareholders' Equity | €32.10m |

ANALYST INFORMATION

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FOCUS ON STRATEGY

Theolia is primarily focused on the realisation and operation of wind farm projects in France. It intends to have 400 MW of generating power installed by the end of 2008. Having recently completed a significant capital increase, the company can now focus on realising its plans of having 100 MW of generating capacity before the year's end, followed by an additional 150 MW in 2007 and 150 MW in 2008.

In our opinion, the largest hurdle for the company to overcome will be obtaining building permits. Theolia, through its subsidiary Ventura, has been active for the last three years obtaining permissions for wind farms. The company currently has 69 MW fully permitted and an additional 370 MW applications that are in the approval process. These projects will be constructed and operated by Theolia and the company will generate revenues through the sale of electricity. Further revenues will be generated through the construction of wind farms on a turnkey basis for third parties.

In addition to wind energy projects in France, the company has acquired 28.5 MW in Germany and recently announced that it has acquired a majority stake (56.67%) in Energo, a Belgian co-generator with 6.8 MW of installed capacity. By focusing exclusively on renewable energy projects, the company has shifted its focus since our initial report in June 2005, when it was also involved in the development of waste management sites.

In March 2006, the company announced the spinning off of its waste management assets to Granit SA in return for a 60% stake in the company. Theolia's stake in the company is valued at approximately €18m. Granit is involved in the treatment of urban and industrial waste and the planning, construction and operation of various environmental activities.

CAPITAL INCREASE

To finance the equity portion of its wind farm project pipeline, the company recently completed the first step of a capital increase which was aimed to bring between €30m and €50m in new funds. During the period 3 to 16 February 2006, existing shareholders had the right to subscribe to 2,779,898 new shares at €9.00 per share. The offer was over subscribed by more than three times.

To complete the second part of the capital increase, the company intends to hold an extraordinary general meeting at the beginning of April 2006 to authorise a capital increase for GO Capital, whereby GO Capital will be able to increase its equity investment in Theolia to €30.0m. As part of the agreement, GO Capital is required to subscribe to this issue (3,333,310 shares at €9.00 per share) and when completed Theolia will have placed 6.11m shares, raising in total €55.02m. When the placement is complete, there will be 18.62m shares outstanding.

The success of this capital increase lies in investors' confidence in management and this was underlined by GO Capital's commitment to Theolia. GO Capital Asset Management Fund



manages the Global Opportunities fund, which has assets of over €450m and has had an average annual return of 34.5% over the past five years. It was recently selected as “Fund of the Year” by the 2005 EuroHedge Awards. GO Capital has no intention of joining the management or supervisory boards of Theolia.

FINANCE REQUIREMENTS

Based on company plans to have 400 MW installed by the end of 2008, Theolia will need to invest approximately €20m over the next three years. The company intends to finance the projects with a debt/equity ratio of 80:20. With the funds from the recent capital increase, the company should have sufficient capital to finance the equity portion of its projects going forward. According to management, unique tax laws in France will allow Theolia to depreciate up to 80% of a wind farm’s total investment during the first year of operation. This will allow the company to delay future tax liabilities and use cash generated from operations to finance growth.

WIND FARMS

| | 2005-06 | 2007 | 2008 |
|-----------------------|---------|------|------|
| Completed Projects MW | 100 | 150 | 150 |
| Investment €m | 130 | 195 | 195 |
| Total €m | | | 520 |

Table 1

Source: First Berlin Estimates

On the debt side, Theolia has already come to an agreement with the Royal Bank of Scotland (RBS) to provide €6m in debt for the realisation of 57 MW of wind projects. The company is currently negotiating with other lending institutions to secure additional debt lines. The conditions of the RBS loan are very favourable and comprise a senior debt facility of 15 years with a variable rate of 6-month Euribor + 1.30% subject to coverage making this rate into a fixed rate of 4.80%.

The debt facility with RBS was completed during 2005 when Theolia was in a weaker position than today. We believe that the company should not have difficulties in securing additional debt lines and management have told us that they expect to negotiate more favourable conditions.

WIND FARM DEVELOPMENT

On 16 January 2006, Theolia finalised the purchase of three wind farms located in Germany with a total output of 28.5 MW. The first site with 6 MW has been in operation since October 2005 and the second with 8 MW was commissioned in February 2006. The third site with 14.5 MW is scheduled to be completed in May 2006. The projects required a total investment of €3.8m and were financed at a debt/equity ratio of 80:20. Power produced at the sites will



be connected to the grid and sold under the terms of the Renewable Energies Act. On an annual basis, management projects that the three wind farm projects will add €4.5m to sales, €3.15m to EBITDA and €1.35m to the company's net cash position.

Currently, Ventura is constructing two wind farms, CEFF and CESAM, in Northern France. CEFF, with 10 MW, is scheduled to be commissioned during Q1 2006 and CESAM, with 9 MW is scheduled to be commissioned in Q2 2006. In addition to these projects, Theolia has an additional four wind farms with 50 MW that are fully permitted and are scheduled to be constructed before the year's end.

Looking forward to 2007 and 2008, Theolia has 370 MW of construction permits that have been filed and are awaiting final approval. The approval process in France has shown improvements with the government having taken steps to expedite the process. A survey, conducted in 2004 and again in 2005 by the Minister of Industry, showed that the rate of power permits granted compared to those denied, improved from 852 granted and 475 denied in 2004 to 1557 and 656 respectively in 2005. Of the 2213 MW projects reviewed in 2005, 70% were approved as compared to 64% during the year prior. Given a similar rate of approval for Theolia's projects in review, we believe it is reasonable to assume that the company will have all the necessary permits to meet its targets.

SUMMARY OF 2004 AND 2005 POWER RESULTS (IN MW)

| | 2004 Survey | 2005 Survey |
|--------------------------------------|-------------|-------------|
| Power of permits granted | 852 | 1557 |
| Power of permits denied | 475 | 656 |
| Number of permits with decision made | 1327 | 2213 |
| Percentage of permits granted | 64% | 70% |

Table 2

Source: Theolia Prospectus and First Berlin

THE FRENCH WIND MARKET

To promote growth, the French government passed legislation in 2001 which guarantees mandatory buy back rates for electricity produced from renewable energy sources. According to the legislation all wind sites receive 8.38 cents per kilowatt hour for the first five years and then, depending on the amount of full load hours, the tariff ranges from 8.38 cents per kilowatt for sites with less than 2000 hours per year to 3.05 cents per kilowatt hour for sites that have 3600 hours or more per year for the next ten years. This tariff applies to the first 1500 MW of installed capacity in France and when this level is achieved, the tariff will change slightly dependent on the number of full load hours.

The legislation was designed to encourage wind farm development throughout the entire country and avoid a concentration of wind projects along the coast, which typically has higher levels of wind. With the tariff being adjusted after year five, wind farms with low, medium and high wind locations generate similar cash flows over the life of the project.



Since the legislation came into power, the French wind market has exhibited strong growth rates and last year the amount of newly installed capacity increased by 367 MW, nearly doubling the total amount of installed capacity at the end of 2004. At the end of 2005 there were 757 MW of total installed capacity as compared to 390 MW in 2004. For comparison purposes at the end of 2005, Germany had a total installed capacity of 18,428 MW.

GROWTH IN CUMULATIVE WIND POWER

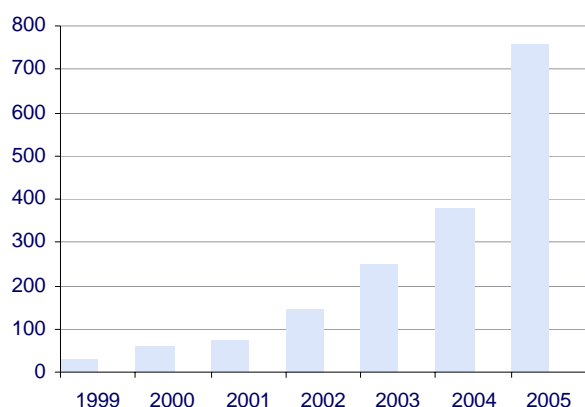


Chart 1

Source: EWEA & First Berlin

Although the market shows continuing growth, the French government's goal of 6000 MW installed by 2007 will not be achieved. This is not due to the level of the tariff, but rather the speed of the project approval, especially at the local state representative level. Steps have been taken to ratify the process and recent legislation changes should bring about an increase in growth rates.

On 28 June 2005, the French Senate and Parliament announced that they signed the newly proposed wind legislation. The new legislation cancels the previous 12 MW cap and the power purchase obligation will apply to every wind farm developed in designated development zones, regardless of its size. The zones will be selected by the local state official at the request of the local communities.

Furthermore, to ease transition from the old system to the new, project developers have two years to obtain building permits that are currently in the approval process. These wind farms will qualify under the power purchase obligations wherever they are located. We are of the opinion that the French government will continue to take measures to promote growth in the industry and the market in France will continue to gain momentum as the country gains experience in bringing projects to completion.

LATEST RESULTS

In the last financial year Theolia used IFRS for the first time. As a result, year-on-year comparisons provide limited insight into the development of the company. For the FY04/05 the company reported sales of €4.03m, of which €1.20m arose from thermal power plants and €2.83m from activities in connection with the Beaucaire waste treatment centre. On the earn-



ings side, EBIT was -€0.58m and net income came in at €0.42m.

At the end of the period the company had current assets of €31.73m (30 June 2004: €1.18m) of which €19.30m was in cash. With €12.26m in tangible assets, €31.79m in intangible assets (including goodwill) and approximately €0.46m in deferred taxes, Theolia had total assets of €76.49m (30 June 2004: €7.52m). The company had long-term liabilities of €17.12m, current liabilities of €7.27m and shareholders' equity of €32.04m (30 June 2004: €0.69m).

MOVE TO OFFICIAL MARKET

Currently the stock is traded once a day on France's Marché Libre as an auction style single block format. Theolia has applied to the AMF (Autorité des Marchés Financiers) to enter the official market and management expect to obtain authorisation in the first half of this year. Once listed on the Eurolist Group C, the stock will be continuously traded during opening hours. In Germany, the stock is already listed in Frankfurt, Berlin, Munich and on the Xetra System. Once the company is listed on the official market we expect the stock's liquidity will improve.

OUTLOOK

Our projections going forward are based on the company being able to meet its targets of having 400 MW by the end of 2008 as well as developing turnkey projects for third parties. For wind farm sites in 2007 and beyond, we project that each year's wind farms would come online at the year's end and would contribute to sales for the first time in the following year. For each wind farm, we have projected 2400 hours of wind per annum. For turnkey projects we estimate that the company will record sales of €1.28m per MW and have an EBIT margin of 8%.

For 2006 we project that Theolia will have sales of €36.73m. We estimate that the majority of sales, €32.50m, will come from the sale of a 25 MW wind farm and the remainder will come from power generation sales in both wind and thermal power stations. On the earnings side, we project an EBIT of €0.99m and net loss of €0.15m.

By the end of 2006, we estimate the company will have 100 MW of installed capacity and the farms will generate electricity sales of €9.36m during 2007. These sales combined with revenues from turnkey operations will give Theolia total revenues of €34.04m. According to our estimates, EBIT will increase to €1.83m with a net income of €5.31m.



SUM-OF-THE-PARTS VALUATION

Based on a sum-of-the-parts methodology using risk adjusted discounted cash flow models, we derived a value of €14.90 per share (previously €14.40).

When determining our valuation, we calculated the present value of the company's wind farm pipeline and turnkey operation businesses. In our model we used a WACC of 6.8%. We calculated our WACC based on the company's plans to finance its wind projects with a debt to equity ratio of 80:20. The company has been able to secure debt lines with 6-month Euribor +1.3% with a cap of 4.8%. In our valuation, we have assumed that interest rates would rise and we have used a cost of debt of 6.0%. To calculate our cost of equity we have measured company specific risks and calculated it to be 18.2%.

WIND FARM DEVELOPMENT AREA

For our projections we estimated that the number of projects sold will increase to 50 MW per year in 2009 and level off at 30 MW going forward. Our valuation of €38.34m would imply a projected 2006 EV/Sales ratio of 1.18x, which we consider to be fair and not overstated given the prospects of this business going forward. Our terminal growth figure was calculated using a perpetuity with 2% growth.

| All figures in T€ | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| MW | 25 | 50 | 50 | 50 | 40 | 40 | 30 |
| Revenues | 32,500.0 | 64,675.0 | 64,351.6 | 64,029.9 | 50,967.8 | 50,712.9 | 37,844.5 |
| Operating profit | 2,800.0 | 5,645.8 | 5,604.1 | 5,562.3 | 4,373.5 | 4,336.9 | 2,787.3 |
| Operating profit after tax | 2,597.7 | 5,305.3 | 5,269.9 | 5,234.3 | 4,109.1 | 2,876.4 | 1,841.1 |
| + depreciation & amortis. (excl. GW) | 125.0 | 175.0 | 187.5 | 200.4 | 213.6 | 227.3 | 240.3 |
| = Net operating cash flow | 2,722.7 | 5,480.3 | 5,457.4 | 5,434.7 | 4,322.7 | 3,103.7 | 2,081.4 |
| - total investments (Capex and WC) | -2,550.0 | -1,664.2 | -1,154.6 | -897.1 | -642.3 | -390.2 | -54.1 |
| capital expenditure | -1,250.0 | -500.0 | -125.0 | -128.8 | -132.6 | -136.6 | -129.8 |
| working capital | -1,300.0 | -1,164.2 | -1,029.6 | -768.4 | -509.7 | -253.6 | 75.7 |
| = Free cash flow (FCF) | 172.7 | 3,816.1 | 4,302.8 | 4,537.6 | 3,680.4 | 2,713.5 | 2,027.3 |
| PV of FCF's | 172.7 | 3,571.5 | 3,768.8 | 3,719.7 | 2,823.6 | 1,948.3 | 1,362.3 |

| All figures in T€ | |
|--|--------|
| PV of FCF's in Phase I | 25,212 |
| PV of FCF's in Phase II (terminal value) | 13,130 |
| Enterprise Value (EV) | 38,342 |

WIND FARM OPERATION/ ELECTRICITY SALES

Based on our assumption that investors would require similar rates of return for projects completed this year as in the future, we have assumed that the present value of projects at time of completion in future years will be similar to present value of projects completed today. We believe that the decrease in feed-in tariffs will be offset by low capital expenditure costs.

In our model we have chosen an 18 year life cycle. We are aware that French legislation only requires buy-backs for 15 years but we believe it is reasonable to assume the projects will continue to generate electricity after this time. In Germany the life of projects is calculated to be 20 years. Our terminal growth figure was calculated using a perpetuity with 0% growth.



To determine our price target of €14.90, we added up the present values of future projects until 2020. To account for risk in the pipeline we adjusted our figures based on probability of completion. Until the end of 2008, we believe the company has sufficient permits in the approval process to have 400 MW of generating capacity and we assigned a probability of 90% for these projects. In 2009 and 2010 management intend to realise an additional 300 MW. We assigned a probably rate of 40% for these projects. Beyond 2011, we believe the company will continue to develop projects but to account for added risk we assigned a probably rate of 30%. Our valuation was calculated using 18.62m shares, the number which will be outstanding following the completion of ongoing capital increase.

We believe management will be able to realise these projects and we feel comfortable with our projections in light of current risks. Furthermore, if management are able fulfil their goals there will be upside to our projections.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|-------|--------|--------|--------|--------|--------|--------|--------|
| MW | 28 | 72 | 150 | 150 | 150 | 150 | 100 | 100 |
| PV per project at time of completion | 1,349 | 23,378 | 46,380 | 46,380 | 46,380 | 46,380 | 30,920 | 30,920 |
| PV of FCF's | 1,349 | 21,879 | 40,624 | 38,020 | 35,582 | 33,301 | 20,778 | 19,446 |
| Base case | 1,349 | 15,316 | 28,437 | 26,614 | 10,675 | 9,990 | 4,156 | 3,889 |
| Middle case | 1,349 | 19,691 | 36,562 | 34,218 | 14,233 | 13,320 | 6,233 | 5,834 |
| High case | 1,349 | 21,879 | 40,624 | 38,020 | 17,791 | 16,651 | 8,311 | 7,778 |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| MW | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| PV per project at time of completion | 30,920 | 30,920 | 30,920 | 30,920 | 30,920 | 30,920 | 30,920 | 30,920 |
| PV of FCF's | 18,199 | 17,032 | 15,940 | 14,918 | 13,962 | 13,067 | 12,229 | 11,445 |
| Base case | 3,640 | 3,406 | 3,188 | 2,984 | 2,792 | 2,613 | 2,446 | 2,289 |
| Middle case | 5,460 | 5,110 | 4,782 | 4,476 | 4,189 | 3,920 | 3,669 | 3,434 |
| High case | 7,280 | 6,813 | 6,376 | 5,967 | 5,585 | 5,227 | 4,892 | 4,578 |

| Sensitivity analysis | | | |
|---|--------------|--------------|--------------|
| | Base case | Mid case | High |
| Electricity Generation PV of FCF's | 123,783 | 166,478 | 199,120 |
| Electricity Generation (terminal value) | 33,417 | 50,126 | 66,835 |
| Turnkey PV of FCF's | 25,212 | 25,212 | 25,212 |
| Turnkey (terminal value) | 13,130 | 13,130 | 13,130 |
| Enterprise Value (EV) | 195,543 | 254,946 | 304,297 |
| + Net cash /- net debt (2006E) | 4,223 | 4,223 | 4,223 |
| + Financial investments / minorities | 18,000 | 18,000 | 18,000 |
| Shareholder value | 217,766 | 277,169 | 326,520 |
| Fair value per share | 11.69 | 14.88 | 17.53 |

To offer additional insight into our valuation, we have provided two other scenarios with lower and higher probably rates. For our base case scenario we have assigned rates of 70% till 2008, 30% till 2010 and 20% till 2020, and for our high case: rates of 100%, 50% and 40% respectively.

Our base case valuation of €11.69 supports the stock's current value while our high case indicates additional upside to our valuation. We have not chosen these valuations for our price target because on one side our projections are overly conservative, while on the other too aggressive.



RISKS AND CONCERNS

The first challenge for Theolia will be obtaining the necessary wind farm permits as well as managing growth and meeting targets. The company has been active in obtaining permits and the French government has taken steps to expedite the process. Despite improvements in approval rates of projects, this cannot be guaranteed.

We believe the largest risk to Theolia would be an increase in interest rates. Due to heavy gearing, any substantial increase in rates could alter projected returns. To account for this, we have assumed the company will be able to obtain debt facilities with 6.0% interest as compared to current conditions of 4.8%.

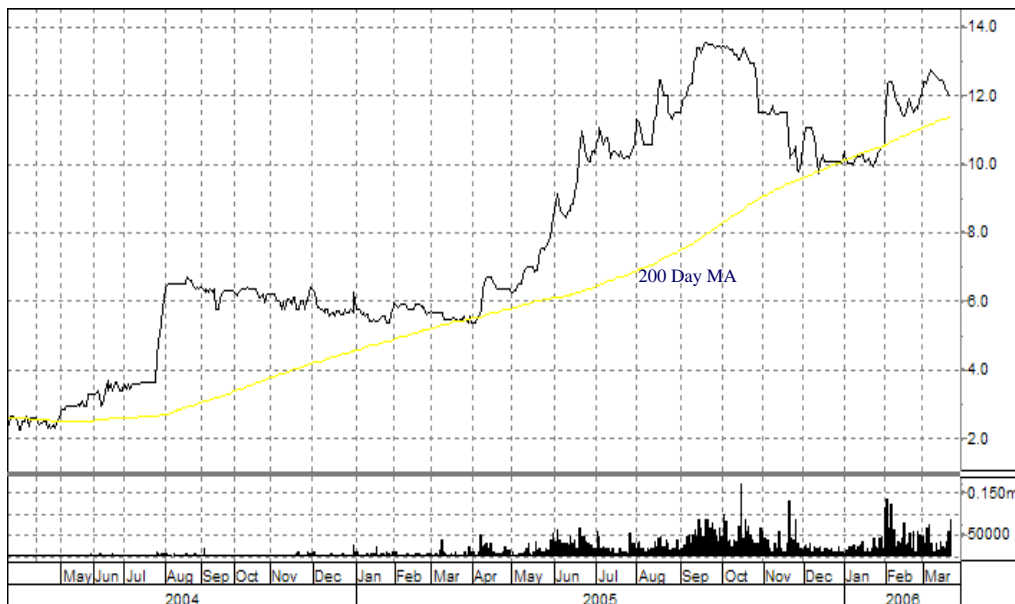
Theolia has ambitious growth plans and it remains to be seen whether the company will be able to meet its targets and manage its growth. Management have recently decided to focus on one key area and to spin off the company's environmental business area. We applaud this decision and feel the company will benefit from it.

Our projections are based, in part, on wind power generation and it cannot be ignored that many wind prognosis' in Germany were overstated. To account for this we have used a conservative value in our model.

Finally, the wind turbine market has turned into a seller's market and Theolia may experience problems in securing its turbines. We are not overly concerned by this development as Theolia has a strong cash position. The company is now able to meet the pre-financing requirements of manufacturers and as such, is in a good position to receive turbines as needed.



TECHNICAL ANALYSIS



Source: Bloomberg & First Berlin

The technical picture of Theolia has improved since the beginning of the year. After establishing new support at €10.00 the past few months, the present rally in the stock will likely test the top of the trading channel at €13.50 in the near-term.

Assuming the rally continues to the top of the range, the stock may require a brief period of consolidation at this stage to build potential for a sustainable breakout above resistance. A successful breakout will unlock upside potential in the stock and result in new all time highs. If on the other hand a breakout fails to materialise, the stock will likely remain bound within the channel between €10.00 - 13.50 over the mid-term.

We would advise investors to buy shares at present levels. In view of the new support in the stock, an entry at this level offers low downside risk. Moreover, the upside potential is attractive assuming a successful breakout with no relevant upside hurdles beyond the current resistance.

Please note: While fundamentals serve as the basis for the overall trend in a stock, technical analysis measures emotional and psychological components. This is valuable in explaining price volatility while company fundamentals remain constant. We provide this simple technical overview to assist with investment timing.



RECOMMENDATION

We are maintaining our Buy recommendation and increasing our price target from €14.40 to €14.90. We are positive on Theolia and we have raised our price target despite the recent capital increase, which when completed, will add an additional 6.11m shares to the 12.51m that were outstanding before the capital increase. Despite the dilution, we have increased our price target slightly because we are of the opinion that Theolia's investment story is significantly stronger than when we initiated coverage in June 2005.

When the current capital increase is completed, Theolia will have raised €5.02m in funds, which should, in our opinion, be sufficient to cover the equity portion of its planned pipeline. Management's plans, which call for 400 MW of installed capacity by the end of 2008, remain unchanged and the company is on track to have 100 MW installed by the end of 2006.

Going forward, we feel that the largest hurdle for the company to overcome will be obtaining building permits. Theolia has been actively obtaining permits for wind farms and currently has 69 MW fully permitted and an additional 370 MW that are in the approval process. Although current rates of approval would imply that the company will be able to obtain the necessary permits, we are aware that any delays could keep the company from meeting its targets.

Notice of approval for wind farm projects as well as the company's move from the unofficial market to the official market during H1 2006 will strengthen Theolia's investment case, improve the stock's liquidity and should act as near term price catalysts.

Risks to our price target include: obtaining permits, interest rates, government policy, supply shortages and difficulties managing expansion.



INCOME STATEMENT ANALYSIS

| | 2004/05 | 2006E | 2007E | 2008E | 2009E |
|--|--------------|---------------|---------------|----------------|----------------|
| Revenues | 4,026 | 36,734 | 84,039 | 114,564 | 145,398 |
| Cost of goods sold | -2,922 | -26,650 | -53,034 | -52,768 | -52,504 |
| Gross Profit | 1,104 | 10,084 | 31,006 | 61,795 | 92,894 |
| Operating expense wind and biomass | 6 | -224 | -863 | -3,881 | -10,058 |
| Personnel | -1,241 | -2,600 | -3,881 | -3,861 | -3,842 |
| Other operating expenses | -589 | -2,925 | -3,234 | -3,218 | -3,201 |
| EBITDA | -720 | 4,335 | 23,029 | 50,835 | 75,793 |
| Depreciation | -217 | -3,346 | -11,201 | -22,759 | -34,144 |
| Operating income (EBIT) | -581 | 988 | 11,828 | 28,077 | 41,649 |
| Net financial result | -125 | -1,050 | -4,879 | -11,206 | -16,714 |
| Income before taxes & minority interests | -687 | -37 | 6,974 | 16,897 | 24,962 |
| Income taxes | 729 | 0 | -1,046 | -5,069 | -7,489 |
| Other taxes | 0 | -108 | -576 | -1,271 | -1,895 |
| Net income / loss | 42 | -145 | 5,352 | 10,557 | 15,579 |
| EPS€ | 0.01 | -0.01 | 0.29 | 0.57 | 0.84 |
| Ratios | | | | | |
| Gross margin | 27.4% | 27.5% | 36.9% | 53.9% | 63.9% |
| EBIT-Margin | -14.4% | 2.7% | 14.1% | 24.5% | 28.6% |
| EBITDA margin | -17.9% | 11.8% | 27.4% | 44.4% | 52.1% |
| Net Income Margin | 1.0% | -0.4% | 6.4% | 9.2% | 10.7% |
| Expenses as % of revenues | | | | | |
| Operating Expenses | 45.3% | 15.7% | 9.5% | 9.6% | 11.8% |
| Personnel | 30.8% | 7.1% | 4.6% | 3.4% | 2.6% |
| Depreciation | 5.4% | 9.1% | 13.3% | 19.9% | 23.5% |
| Y-Y Growth | | | | | |
| Total revenues | | 812.4% | 128.8% | 36.3% | 26.9% |
| EBITDA | | 702.0% | 431.3% | 120.7% | 49.1% |
| Net income | | -446.1% | 3781.8% | -97.2% | -47.6% |



BALANCE SHEET ANALYSIS

| All figures in T€ | 2004/05 | 2006E | 2007E | 2008E | 2009E |
|---|---------------|----------------|----------------|----------------|----------------|
| Assets | | | | | |
| Current Assets, Total | 31,727 | 56,932 | 68,922 | 58,869 | 52,796 |
| Cash and Cash Equivalents | 19,297 | 27,712 | 33,033 | 21,954 | 13,752 |
| Inventories | 383 | 6,175 | 7,114 | 7,079 | 7,043 |
| Accounts receivable | 12,047 | 11,020 | 12,606 | 13,748 | 15,994 |
| Prepaid expenses | 0 | 12,025 | 16,169 | 16,088 | 16,007 |
| Non-Current Assets, Total | 44,762 | 72,196 | 147,489 | 299,137 | 436,817 |
| Property, Plant and Equipment | 12,263 | 24,487 | 101,359 | 255,088 | 394,838 |
| Intangible Assets | 31,786 | 28,607 | 25,429 | 22,250 | 19,072 |
| Financial Assets | 0 | 18,000 | 18,180 | 18,362 | 18,545 |
| Deferred Tax Claims and Others | 460 | 1,102 | 2,521 | 3,437 | 4,362 |
| Total Assets | 76,489 | 129,128 | 216,411 | 358,006 | 489,613 |
| Shareholders' Equity & Debt | | | | | |
| Current Liabilities, Total | 27,270 | 30,789 | 33,490 | 37,205 | 38,026 |
| Creditors | 11,430 | 14,693 | 16,808 | 17,185 | 14,540 |
| Short-term debt | 10,939 | 11,486 | 10,337 | 11,371 | 12,508 |
| Liabilities from income taxes | 4,753 | 4,408 | 5,883 | 8,019 | 10,178 |
| Provisions | 148 | 147 | 336 | 458 | 582 |
| Longterm Liabilities, Total | 17,118 | 17,543 | 96,772 | 224,095 | 339,304 |
| Liabilities to Banks | 11,431 | 22,862 | 98,307 | 233,970 | 360,313 |
| Deferred tax liabilities | 5,657 | 5,510 | 6,723 | 8,019 | 8,724 |
| Shareholders Equity, Total | 32,042 | 80,737 | 86,089 | 96,646 | 112,225 |
| Subscribed Capital | 9,723 | 18,622 | 18,622 | 18,622 | 18,622 |
| Capital Reserve | 23,928 | 63,928 | 63,928 | 63,928 | 63,928 |
| Loss carryforward / retained earnings | -1,668 | -1,813 | 3,539 | 14,096 | 29,675 |
| Total Shareholders Equity & Debt | 76,489 | 129,128 | 216,411 | 358,006 | 489,613 |
| Ratios | | | | | |
| Current ratio | 1.16 | 1.85 | 2.06 | 1.58 | 1.39 |
| Quick ratio | 1.15 | 1.65 | 1.85 | 1.39 | 1.20 |
| Equity ratio (as%) | 0.42 | 0.63 | 0.40 | 0.27 | 0.23 |
| Debt to equity ratio (gearing as %) | 0.53 | 0.22 | 1.12 | 2.32 | 3.02 |
| Net debt | 3,073 | -4,223 | 67,324 | 205,463 | 329,307 |
| Capital employed (CE) | 29,209 | 51,525 | 129,186 | 277,047 | 414,929 |
| Return on Equity (ROE) | 0.3% | -0.3% | 6.4% | 11.5% | 14.9% |
| Return on capital employed (ROCE) | -3.6% | 2.4% | 13.1% | 13.8% | 12.0% |
| Return on net assets (RONA) | -2.6% | -1.4% | 8.5% | 5.9% | 4.8% |
| Net current assets | 4457 | 26142 | 35432 | 21663 | 14771 |
| Total assets less current liabilities | 49,219 | 98,338 | 182,920 | 320,800 | 451,588 |
| Net assets | 32,042 | 80,737 | 86,089 | 96,646 | 112,225 |



FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

| Report No.: | Date of Publication | Previous Day Closing Price | Recommendation | Target Price | Interim High | % Change to High |
|-------------|---------------------|----------------------------|----------------|--------------|--------------|------------------|
| 1 | 24 June 2005 | €10.93 | Strong Buy | €14.40 | - | - |
| 2 | 1 July 2005 | €10.75 | Buy | €14.40 | €13.53 | 25.9% |
| 3 | Today | €11.99 | Buy | €14.90 | - | - |

Source: Bloomberg & First Berlin

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BUY: Expected return greater than 15%
HOLD: Expected return between 0% and 15%
SELL: Expected negative return

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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