

**Consolidated Balance Sheet**

**Consolidated Income Statement**

**Consolidated Cash Flow Statement**

**Statement of Changes in Shareholders' equity**

**Notes to the Financial Statements**



**Consolidated Balance Sheet**

€ thousands

<b>ASSETS</b>		<b>Notes</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
	Goodwill	9	144,521	99,136
	Other intangible assets	10	46,774	49,835
	Property, Plant & Equipment	11	345,136	119,171
	Investments in associates	12	63,277	627
	Other non-current financial assets	14	44,030	20,833
	Deferred tax assets	32	1,431	9,053
<b>Total Non-Current Assets</b>			<b>645,169</b>	<b>298,655</b>
	Inventories and work-in-progress	15	42,877	9,462
	Trade receivables	16	87,367	57,447
	Other current assets	17	57,065	20,241
	Income tax receivable		188	222
	Financial assets: current portion		1,128	798
	Cash and cash equivalents	18	326,199	65,509
<b>Total Current Assets</b>			<b>514,824</b>	<b>153,679</b>
<b>TOTAL ASSETS</b>			<b>1,159,994</b>	<b>452,334</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
	Share capital	19	38,682	25,404
	Share premium		307,171	137,650
	Other reserves		105,422	11,048
	Net income (Group share)		(48,262)	(4,414)
	<b>Shareholders' equity (Group share)</b>		<b>403,013</b>	<b>169,687</b>
	Minority Interests		58	1,734
<b>Total Shareholders' Equity</b>			<b>403,071</b>	<b>171,421</b>
	Non-current financial liabilities	22	458,624	83,030
	Provisions: non-current portion	25	665	460
	Employee benefits	24	251	142
	Deferred tax liabilities	32	18,167	10,101
	Other non-current liabilities		-	-
<b>Total Non-Current Liabilities</b>			<b>477,707</b>	<b>93,733</b>
	Current financial liabilities	22	90,772	44,375
	Provisions: current portion	25	435	264
	Trade payables and other current liabilities	26	146,107	122,716
	Tax and social security liabilities	26	28,967	16,048
	Income tax liability		12,934	3,777
<b>Total Current Liabilities</b>			<b>279,216</b>	<b>187,180</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>			<b>1,159,994</b>	<b>452,334</b>

**Consolidated Income Statement**

€ thousands

	Notes	31/12/2007 (12 months)	31/12/2006 (18 months)
<b>Sales</b>	27	306,481	70,986
Purchases and changes in inventories		(230,784)	(48,984)
External expenses		(34,746)	(14,301)
Taxes		(1,139)	(729)
Personnel expenses	29	(23,413)	(9,993)
Depreciation and amortization	10/11	(18,382)	(3,204)
Other current operating income and expenses	28	(1,267)	(145)
<b>Current Operating Income</b>		<b>(3,250)</b>	<b>(6,370)</b>
Other non current operating income and expenses	30	21,014	(1,568)
<b>Operating Income (before Goodwill Impairment)</b>		<b>17,764</b>	<b>(7,938)</b>
Goodwill impairment*	8	(56,490)	-
<b>Operating Income (after Goodwill Impairment)</b>		<b>(38,726)</b>	<b>(7,938)</b>
Cost of gross financial debt	31	(13,240)	(1,198)
Income from cash and cash equivalents	31	3,154	710
<b>Cost of net financial debt</b>	31	<b>(10,086)</b>	<b>(488)</b>
Other financial income and expenses	31	2,145	1,060
Share of income from associates	12	589	62
Income tax expense	32	(2,729)	3,131
<b>Net Income (Loss) of the Year</b>		<b>(48,807)</b>	<b>(4,173)</b>
Attributable to :			
Group share		(48,262)	(4,414)
Minority interests		(546)	240
Earnings per share	33	(1.41)	(0.28)
Diluted earnings per share	33	(0.94)	(0.24)

(\*) Accounting impact (IFRS 3) of the acquisition of wind farms from General Electric affiliates. A symmetrical increase in Shareholders' equity of 56,490 K€ (cf. page 5) compensates for this impact.

**Consolidated Cash Flow Statement**

€ thousands

	31/12/2007 (12 months)	31/12/2006 (18 months)
<b>Total net income of consolidated companies</b>	<b>(48,807)</b>	<b>(4,174)</b>
Elimination of depreciation, amortization and provisions	18,084	1,895
Elimination of change in deferred tax	2,729	(3,131)
Elimination of capital gains and losses on disposals	(932)	(415)
Elimination of share of income from associates	(265)	(62)
Financial costs	11,720	1,182
Other income and expenses with no impact on cash flow	44,321	2,757
<b>Gross Cash flow from operations (A)</b>	<b>26,850</b>	<b>(1,946)</b>
Dividends received from associates		
Change in operating working capital requirement (B)	1,795	(190)
Income tax paid	240	(2,161)
<b>CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)</b>	<b>28,885</b>	<b>(4,298)</b>
Acquisitions of property, plant, equipment and intangible assets	(50,906)	(53,031)
Acquisition of financial assets	(104)	
Disposals of property, plant, equipment and intangible assets	7,006	3,198
Change in loans	(24,138)	621
Impact of change in scope of consolidation	(66,516)	(68,650)
<b>NET CASH FLOW USED BY INVESTING ACTIVITIES (b)</b>	<b>(134,658)</b>	<b>(117,862)</b>
Dividends paid to minority shareholders	(29)	(23)
Treasury shares	8	(431)
Capital increase (reduction)	96,176	139,147
New loans and other liabilities	308,813	37,053
Repayments of borrowings and other liabilities	(24,116)	(8,208)
Interests paid	(11,720)	(1,531)
Other financing income and expenses with no impact on cash flow	(468)	-
<b>NET CASH FLOW GENERATED BY INVESTING ACTIVITIES (c)</b>	<b>368,663</b>	<b>166,007</b>
<b>Cash Flow from non-current assets classified as held for sale</b>	<b>-</b>	<b>-</b>
Foreign currency translation adjustments	(111)	-
<b>CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)</b>	<b>262,779</b>	<b>43,847</b>
Opening net cash and cash equivalents	63,142	19,295
Closing net cash and cash equivalents	325,921	63,142
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>262,779</b>	<b>43,847</b>

**Statement of changes in shareholders' equity**

€ thousands

	Share capital	Share premium	Translation difference	Consolidated reserves and net income	Shareholders' equity – Group share	Minority interests	Total shareholders' equity
<b>As at June 30, 2005</b>	<b>9,723</b>	<b>23,928</b>		<b>(1,609)</b>	<b>32,042</b>	<b>59</b>	<b>32,101</b>
Impact of first-time application of IAS 32/39		(7,421)		7,421	-		-
<b>As at July 1, 2005</b>	<b>9,723</b>	<b>16,507</b>	-	<b>5,812</b>	<b>32,042</b>	<b>59</b>	<b>32,101</b>
Translation differences			(9)		(9)		(9)
Treasury shares				(431)	(431)		(431)
<b>Consolidated net income for the period</b>				<b>(4,414)</b>	<b>(4,414)</b>	<b>240</b>	<b>(4,174)</b>
<b>Sub-total: income and expenses of the period</b>	-	-	(9)	<b>(4,845)</b>	<b>(4,854)</b>	<b>240</b>	<b>(4,614)</b>
Capital increase	15,681	129,204			144,885		144,885
Share-based payments					-		-
Share warrants allocated to employees				1,048	1,048		1,048
Share warrants allocated to directors				2,504	2,504		2,504
Allocation of warrants to share premium		(2,471)		2,471	-		-
Allocation of capital increase expenses		(5,590)			(5,590)		(5,590)
Change in scope of consolidation				(370)	(370)	1,435	1,065
Other reclassifications				23	23		23
<b>As at December 31, 2006</b>	<b>25,404</b>	<b>137,650</b>	(9)	<b>6,643</b>	<b>169,688</b>	<b>1,734</b>	<b>171,422</b>
					-		-
Translation differences			235		235		235
Treasury shares				8	8		8
<b>Consolidated net income for the period</b>				<b>(48,262)</b>	<b>(48,262)</b>	<b>(545)</b>	<b>(48,807)</b>
<b>Sub-total: income and expenses of the period</b>	-	-	235	<b>(48,254)</b>	<b>(48,019)</b>	<b>(545)</b>	<b>(48,564)</b>
Capital increase	13,278	175,503			188,781		188,781
Free shares				6,245	6,245		6,245
Share warrants allocated to employees				38	38		38
Share warrants allocated to directors				5,514	5,514		5,514
Allocation of capital increase expenses		(5,982)			(5,982)		(5,982)
Convertible bond				25,372	25,372		25,372
Accounting impact of the acquisition of General Electric affiliates' wind farms				56,490	56,490		56,490
Change in scope of consolidation				5,842	5,842	(1,131)	4,711
Other reclassifications				(955)	(955)		(955)
<b>As at December 31, 2007</b>	<b>38,682</b>	<b>30,171</b>	<b>226</b>	<b>56,934</b>	<b>403,013</b>	<b>58</b>	<b>403,071</b>

(\*) Accounting impact (IFRS 3) of the acquisition of wind farms from General Electric affiliates. A symmetrical increase in Shareholders' equity of 56,490 K€ (cf. page 3) compensates for this impact.

## **ANNEX TO THE CONSOLIDATED FINANCIAL ACCOUNTS**

1. General information.....	8
2. Accounting principles.....	8
2.1. Declaration of compliance.....	8
2.2. Consolidation methods.....	9
2.3. Foreign currencies.....	11
2.4. Income posting.....	11
2.5. Intangible assets.....	11
2.6. Property, plant & equipment.....	12
2.7. Rental agreements.....	13
2.8. Intangible assets and property, plant & equipment impairment.....	13
2.9. Inventories and work-in-progress.....	14
2.10. Financial assets and liabilities.....	15
2.11. Trade receivables and other debtors.....	16
2.12. Cash and cash equivalents.....	17
2.13. Share capital.....	17
2.14. Share warrants and free shares.....	17
2.15. Employee benefits.....	18
2.16. Other provisions.....	19
2.17. Loans.....	19
2.18. Trade payables and other creditors.....	19
2.19. Deferred tax.....	20
2.20. Determination of current operating income.....	20
2.21. Earnings per share.....	20
2.22. Information by sector.....	21
2.23. Pro forma information.....	21
3. Estimates and uncertainties.....	21
3.1. Specified lifespan intangible assets and property, plant & equipment.....	22
3.2. Depreciation test for goodwill and unspecified lifespan intangible assets.....	22
3.3. Deferred tax.....	23
3.4. Post-employment benefits.....	23
4. Management of risks linked to financial instruments.....	23
4.1. Credit risk.....	23
4.2. Liquidity risk.....	24
4.3. Exchange risk.....	24

4.4. Interest rate risk.....	24
5. Principal facts characteristic of the period.....	24
6. Events subsequent to closing.....	26
7. Development of scope of consolidation.....	26
8. Groupings of companies.....	28
9. Goodwill.....	32
10. Intangible assets.....	33
11. Property, plant & equipment.....	34
12. Associated companies.....	35
13. Financial assets.....	36
14. Other non-current financial assets.....	37
15. Inventories.....	38
16. Trade receivables.....	38
17. Other current assets.....	39
18. Cash and cash equivalents.....	39
19. Share capital.....	40
20. Share-based payments.....	40
21. Financial liabilities.....	43
22. Financial debts and derived financial instruments.....	43
23. Information regarding the fair value of financial assets and liabilities.....	47
24. Provisions for employee benefits.....	47
25. Other provisions.....	48
26. Trade payables and other creditors.....	48
27. Business line information.....	49
28. Other current operating income and expenses.....	55
29. Personnel expenses.....	55
30. Other non-current income and expenses.....	55
31. Net financial income.....	56
32. Tax on earnings.....	56
33. Earnings per share.....	58
34. Associated parties.....	58
35. Potential investments, liabilities and assets.....	59
36. List of the companies of the Group.....	65

## 1. General Information

The Company THEOLIA ("the Company") is a limited company under French law, whose registered office is situated in France, in Aix-en-Provence.

The Company has been listed in Paris since 31 July 2006 on the Euronext Eurolist market, section B.

The Euronext Paris Scientific Committee on Indexes met on 5 September 2007 and took the decision to admit THEOLIA to the SBF 120 index.

The financial period for which the accounts are submitted began on 1 January 2007 and ended on 31 December 2007. The preceding financial period lasted 18 months (from 1 July 2005 to 31 December 2006).

The Company and its subsidiaries ("the Group") carry out their business in the independent production of renewable electricity, mainly from wind power, and in the sale of power stations to third parties. The Group also operates within the Environmental sector.

The Group mainly operates in Europe.

The Group's financial statements were settled by the Board of Directors on 10 April 2008.

## 2. Accounting Principles

### 2.1. Declaration of compliance

Pursuant to EC Regulation No.1606/2002 of 19 July 2002, the consolidated accounts for the period from 1 January 2007 to 31 December 2007 have been established according to the IFRS (International Financial Reporting Standards) system of reference, published by the IASB (International Accounting Standards Board) on 31 December 2007, the adoption of which appeared in the Official Journal of the European Union on the date on which the accounts were settled. The IFRS system of reference includes the IFRS standards, the IAS standards (International Accounting Standards) as well as their interpretation (IFRIC and SIC).

The accounts include in particular the provisions of:

- IFRS standard 7 "Financial instruments: disclosures" applicable since 1 January 2007
- the amendment to IAS standard 1 "Information to be provided regarding capital".

The other standards, amendments and interpretations applicable in 2007 do not affect the Group's accounts:

- IFRIC 8 "Scope of IFRS 2",
- IFRIC 9 "Reassessment of Embedded Derivatives",
- IFRIC 10 "Interim Financial Reporting and Impairment", an interpretation which clarifies the rules applicable to established impairments on goodwill or on securities available for sale in intermediate periods,
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions", an interpretation which clarifies the posting of payments in shares carried out via buyback of treasury shares and payments in shares into the accounts of a subsidiary on the Group's equity.



The Group assessed the IFRS standards, amendments and IFRIC interpretations published and approved by the European Union on 31 December 2007, applicable at the latest on 1 January 2008, as well as those published but not yet approved by the European Union on 31 December 2007. This is mainly a matter of IFRS standard 8 "Operating Segments".

The texts issued by the IASB, anticipation of which has been possible since 2007, are as follows:

- revised IAS 1 regarding presentation of revised financial statements,
- Amendment to IAS 23 regarding borrowing costs. The Group already posts borrowing costs in the cost of construction of qualified assets,
- IFRS 8 regarding operating segments. Its effect on the presentation of accounts is ongoing.
- IFRIC 12 regarding concession contracts (applicable from 1 January 2008). Along with one of its subsidiaries, the Group is engaged in a Delegation of Public Service contract. Its effect on the presentation of accounts is ongoing.
- IFRIC 13 regarding customer loyalty programmes. This interpretation does not affect the Group.
- IFRIC 14 regarding the limit on a defined benefit asset. This interpretation does not affect the Group.

#### ▪ **Basis for the preparation of financial statements**

Comparative information is presented from 31 December 2006 (over 18 months), unless otherwise indicated. In the notes explaining the variations in expenses and income, the comparative data is given over 18 months.

The financial statements are presented in thousands of Euros, unless otherwise indicated, and rounded up to the nearest thousand Euro.

In accordance with IFRS 3, the N-1 accounts presented as a comparison have been reprocessed following the final allocation of goodwill and additional prices.

#### ▪ **General principles of evaluation**

The Group's consolidated accounts have been established according to the principle of historic cost, with the exception of certain financial instruments and financial assets available for sale which were evaluated at their fair value.

## **2.2. Consolidation Methods**

#### ▪ **Controlled entities**

Subsidiaries are consolidated if they are controlled by the Group, which directs their financial and operational policies. Subsidiaries are consolidated by complete integration from the date at which effective control was transferred to the Group. They are deconsolidated from the date at which such control ceases.

The earnings of subsidiaries acquired or transferred during the financial year are included in the calculation of the consolidated earnings, from the date of takeover or until the date of loss of control respectively.

Where necessary, reprocessing has been carried out for the financial statements of subsidiaries in order to harmonise and homogenise the accounting principles used with those of other companies within the scope of consolidation.

All intra-group balances and operations have been eliminated from the consolidation.

#### ▪ Associated companies

Associated companies are companies in which the Group has a notable influence in matters of operational and financial policy, without having control. In general, they are companies in which the Group holds at least 20% of voting rights.

The Group's investments in the associated companies are posted according to the equity method. The financial statements of the associated companies are included in the consolidated accounts from the date of the start of the notable influence until the date at which that notable influence is lost.

The value of securities using the equity method on the balance sheet includes the cost of acquiring the securities (including goodwill) increased or decreased by variations of the Group's share in the net assets of the associated company from the date of acquisition. The income statement reflects the Group's share in the income of the associated company.

#### ▪ Grouping of companies

The groupings of companies which have taken place since 1 July 2004 have been posted according to the acquisition method. The cost of grouping of companies is equal to the total fair values at the date of exchange, delivered assets, incurred or assumed liabilities, and equity instruments issued by the Group, in exchange for control of the acquired company, and of all costs directly attributable to the grouping of companies. If the determination of the fair value of assets and liabilities could not be completed at the date of settling the accounts, a provisional allocation was carried out which led to a provisional determination of goodwill. The final allocation will accordingly be carried out within a maximum period of one year following the takeover date.

Positive differences between the cost of acquisition and the share in the fair value of assets, liabilities and potential liabilities which were identifiable at the takeover date have been included in the assets in goodwill. Potential negative differences are directly registered under income for the period.

At the time of transfer of a subsidiary or a jointly controlled entity, the amount of goodwill attributed to the subsidiary is included in the calculation of income from the transfer.

The goodwill is not amortized. In accordance with IAS standard 36 "Impairment of assets", they will be subject to a depreciation test at least once a year, and more often if an impairment indicator is evident. The test methods aim to ensure that the recoverable value of the cash creating unit to which the goodwill is allocated or attached is at least equal to its net accounting value. If an impairment is established, a depreciation will be registered under operational income, in "Other non-current income and expenses". Such depreciation is irreversible.

When complementary purchases occur after the takeover, the transaction will be considered as one deal on the securities with the minority shareholders: the identifiable assets and liabilities of the controlled company will not be subject to re-evaluation; the positive or negative difference between the cost of acquisition and the complementary share acquired in the net assets of the company will be directly registered under the equity of the purchaser.

### 2.3. Foreign currencies

The rules for conversion of transactions into different currencies and the financial statements of the consolidated entities were applied by the THEOLIA Group on 31 December 2007.

The consolidated financial statements are presented in Euro which is the functional and presentation currency of the parent company. The functional currency of foreign subsidiaries is generally the local currency.

### 2.4. Income posting

Income is posted when the Group has transferred to the purchaser the significant risks and benefits inherent in ownership, when it participates neither in the management nor the actual control of the transferred property, when it is likely that the economic advantages resulting from the sale will benefit the Group and when the transaction can be accurately assessed.

#### ▪ **Production of electricity**

Registered sales of peaking power stations, wind power stations and the activity of cogeneration correspond to the sale of electricity produced and transferred to the operator in accordance with the different contracts, guaranteeing the sale price in particular in relation to the amounts produced and transferred.

Sales of electricity are acknowledged in relation to the quantities produced during the period.

#### ▪ **Purchase of wind farm for resale**

The margin is realized on transfer of the farm, in proportion to the number of masts sold.

#### ▪ **Construction, purchase and sale of wind farms**

Construction operations give rise to posting of sales and a margin in advance of works.

#### ▪ **Financial income**

Interest income is posted *pro rata temporis* according to the actual interest rate method.

#### ▪ **Dividends**

Dividends are posted in financial income when the right to receive the dividend has been acquired.

### 2.5. Intangible assets

Intangible assets are registered at their acquisition cost, reduced by the accumulation of amortizations and future impairments.

The cost of borrowing financing the assets over a long period of use or manufacture is included in the entrance costs of the assets.

Amortization, calculated from the date of use of the asset, is posted under income so as to reduce the accounting value of the assets over their estimated duration of use, according to the linear method.

For contracts and licences, the duration of the amortizations used is 15 and 18 years.

Amortization expenses for intangible assets are posted under the title “Amortizations” on the income statement.

Costs relating to projects may be created internally or be established through groupings of companies.

The principal intangible assets posted by the Group relate to the development costs of different projects, linked in particular to the operating of wind power stations. The valuation of projects occurs at their internal costs. An identifiable intangible asset created internally as a result of the development of an internal project is posted on the balance sheet if, and only if, the following conditions are satisfied:

- the technical feasibility of the project;
- the intention to complete the intangible asset and to put it to use or sell it;
- the ability to use or sell the intangible asset;
- the probability of creating future economic benefits;
- the availability of technical and financial resources to complete the development of the project;
- the ability to accurately assess the expenses attributable to the asset during its development.

Internally created intangible assets are amortized according to the linear method for the duration of their use.

Developments of wind farms are deemed intangible assets from the time that the Group creates a project level company in order to retain the rights arising from the development in order to use them itself. While this decision has not been taken, the development costs are dealt with under inventories and work-in-progress.

When the conditions for posting an internally created asset are not fulfilled, the development expenses will be posted under expenses for the financial year during which they were incurred.

When the Group acquires wind projects developed by companies which have been taken over, these companies will be valued at their fair value, in accordance with IFRS standard 3. The value of the intangible asset thus determined therefore takes account of the fair value of all the contracts acquired.

The main part of the intangible assets is composed of wind projects under development. They appear in “on-going intangibles” and are not amortized.

These projects cease being active from the date of industrial use. They are then amortized for the duration of the contract, usually 15 years.

## **2.6. Property, plant & equipment**

### **▪ Evaluation of tangible assets**

Property, plant & equipment are registered at their acquisition price, with deductions for any amortization and impairments.

Assets acquired in the context of a grouping of companies are valued at their fair value at the date of acquisition. At each settlement, the cost of acquisition is reduced by the cumulative amortization and possibly by impairments determined according to IAS 36 “Impairment of assets”.

Amortization, calculated from the date of use of the asset, is posted in expenses so as to reduce the accounting value of the assets over the estimated duration of their use, according to the linear method, and on the following bases:

- Construction	20 years
- Material and tools (stations)	15 years
- Material and tools	4-10 years
- Equipment and installations	5-10 years
- Office and computing material	3-5 years
- Office furniture	5-10 years

Stations and farms are amortized for the duration of the contract, that is 15 years (France) and 20 years (Germany).

The amortization expense of assets is posted under the title "Amortizations" on the income statement.

The profit or loss arising from the end or inability to use an asset will be determined as the difference between the income from the transfer and the accounting value of the asset. The net income of the transfer of these non-current elements is included under the title "Other operating income and expenses" on the income statement.

## **2.7. Rental agreements**

Assets financed through rental agreements – financing, transferring to the Group almost all risks and benefits inherent in ownership of the leased asset, are posted under the assets on the balance sheet at the fair value of the leased property or for the updated value of the minimum rent payments if lower. The corresponding debt is included under the financial liabilities.

Payments made under the rental agreement are separated into the financial expense and the amortization of the debt so as to obtain a constant periodic rate on the balance of the loan appearing under liabilities.

The assets subject to a rental agreement – are financially amortized for their duration of use in accordance with the rules of the Group. If there is an impairment indicator, they will be subject to a depreciation test in accordance with IAS standard 36 "Depreciation of assets".

Rental agreements in which the lessor retains almost all the risks and benefits inherent in ownership of the asset are simple rentals. Payments made under such agreements are posted in expenses in a linear way for the duration of the agreement, corresponding to the lifespan.

Assets currently subject to a financial rental agreement are not significant, and do not require reprocessing.

## **2.8. Intangible assets and property, plant & equipment impairment**

The accounting value of an asset is depreciated when its accounting value becomes less than its recoverable value. The recoverable value is the highest amount between the fair value of the asset (or group of assets) net of transfer costs, and its value in use.

The value in use is determined by adding the updated values to the expected cash flow for the use of the asset (or group of assets). The projected cash flows used are in accordance with the projected business plans established by the Group management. The updated forecast rate used reflects the current assessment of the market, of the monetary value and the specific risks linked to an asset or group of assets. The rate used has been determined, according to the assets held, from the weighted average cost of capital (WACC). The forecasts relating to the wind farms include the duration of contracts for the sale of electricity.

When it is not possible to establish forecasts beyond five years, the hypotheses for the fifth year will be applied for the following periods.

The fair value of the intangible assets has been determined taking into account the average price of transactions taking place on the market.

A depreciation test will be carried out:

- once a year, for assets with an unspecified lifespan, mainly goodwill and intangible assets which are not redeemable;
- for other assets when impairment indicators are evident.

Impairments will be posted directly under expenses in the operating income.

#### ▪ **Goodwill**

For the purposes of the depreciation test, goodwill will be allocated to each of the Cash Generating Units (CGU) which are likely to benefit from synergies of groupings of companies. The CGUs correspond to groups of homogenous assets whose use continues to create identifiable cash flow, independent of cash flow created by other assets or groups of assets.

A CGU is a component separate from the Group which is engaged in the manufacture of related products or services and which is exposed to risks and to a different profitability than other CGUs.

The activities of the Group are therefore classed in the following categories:

- Development and construction of wind farms;
- Production of energy from wind power;
- Non-wind power activities.

Further, the activity of energy production from wind power is itself subdivided into as many CGUs as there are separate geographical sectors. Currently, 'separate geographical sector' refers to France and Germany, which are the only countries with farms in use. However, for sectional analysis, the France and Germany CGUs are grouped within the energy production from wind power sector.

This grouping by country can be justified by the homogeneity of transactions carried out in relation to the farms in each country, as well as by the coherence in duration and tariffs of the contracts for sale of electricity in each country. Any potential impairments are posted as a priority under goodwill, and then, where necessary, under other assets of the CGU, *pro rata* to their accounting value. Impairments established on goodwill are irreversible.

#### ▪ **Intangible assets**

As regards the costs of acquisition of rights to operate a wind farm, the average price established on the market is around 150,000€ per MW. This amount corresponds to the acquisition price of a project for which a building permit has been obtained and which is free from any actions or appeals. An assessment using the updated operational cash flows method for the duration of the contracts for operation would validate this figure. The discount rate used takes account of the rate of return without risk to the long term investments, and is increased by a rate of risk evaluated at the date on which THEOLIA took over.

### **2.9. Inventories and work-in-progress**

Inventories have been evaluated at the lower between cost and net completion value.

The cost of inventories of raw materials, merchandise and other supplies is composed of the purchase price before tax of raw materials, direct labour, other direct costs and general production costs, with deduction of discounts, reductions and rebates received, increased by expenses incidental to purchases (transport, unloading costs, customs expenses, commission on purchases...). Inventories are evaluated according to the "first in / first out" method.

Inventories posted by the Group represent certain wind projects in development over which the Group reserves the possibility of transfer prior to their operation. Their net completion value has been assessed in relation to their stage of development and the latest transactions completed in the branch of industry. The Group assesses this net completion value at least annually, and more frequently if there is an impairment indicator. Depreciations might be posted for projects whose development is not certain, and for which the likelihood of operation, either for the Group or for a third party, is not sufficient.

Developments of wind farms are deemed intangible assets from the time that the Group creates a project level company in order to retain the rights arising from the development in order to use them itself. During the time that this decision is not taken, the development costs will be dealt with under inventories and work-in-progress.

## **2.10. Financial assets and liabilities**

Financial assets include financial instruments (non-consolidated voting shares and other investment shares), financial loans and debts as well as financial derivative assets.

Financial liabilities include financial borrowings, overdrafts and financial derivative liabilities.

Financial assets and liabilities are presented on the balance sheet under current / non-current assets and liabilities according to whether their term is greater or less than one year, with the exception of derived instruments which are classed as current items.

### **▪ Financial assets and liabilities at fair value with variation in earnings**

Financial assets and liabilities evaluated at their fair value with variation in earnings are designated as such once a deal has been initiated.

These assets are posted at their acquisition cost, and are evaluated at each accounting settlement at the fair value. The variation of this fair value is posted in earnings under the title "Other financial income and expenses".

If it so chooses, the Group may class certain assets / liabilities in the category of assets / liabilities evaluated at fair value in the 3 following circumstances:

- elimination or significant reduction of an inconsistency in the method of evaluating assets or liabilities;
- management of the performance of a group of assets / liabilities at fair value, in accordance with documented strategies and with reporting to the management;
- the asset or liability includes an incorporated derived instrument.

In practice, the Group has evaluated the conversion option included in the convertible bond (OCEANE).

### **▪ Financial assets held to term**

This heading includes assets acquired at a fixed term, when the Group has the intention and ability to retain until term. These assets are posted as amortized cost, and the interest posted at the actual rate of interest are registered in earnings under "Other financial income and expenses".

### **▪ Financial loans and debts**

Financial loans and debts are evaluated at amortized cost, reduced, where necessary, by a depreciation. Interest evaluated at the actual interest rate is registered in earnings under "Other financial income and expenses".



- **Financial assets available for sale**

Financial assets available for sale include non-consolidated voting shares, as well as investment securities. They are evaluated at each accounting settlement, at fair value. Latent capital gains or losses are registered in equity.

When there is an active market, the fair value will correspond to the market value. If not, the fair value is obtained from updated cash flow. If such evaluations are not possible, the value used corresponds to the acquisition cost, reduced by established depreciations.

- **Financial debts and operating debts**

Financial debts and operating debts are evaluated at amortized cost. Interest calculated according to the actual interest rate method is posted under the title "Cost of gross financial debt" on the income statement.

- **Derived financial instruments**

- **Nature**

The Group may have recourse to derived financial instruments (swaps / caps) to cover it against interest rate risks arising from its policy of financing at variable rate.

- **Evaluation and posting**

Derived financial instruments are originally posted at the acquisition cost. They are subsequently evaluated at their fair value. Variations in the fair value of derived financial instruments are posted under earnings, except when these instruments are designated as instruments of cash-flow cover, or of net investment. In those cases, variations in the fair value are posted directly in equity for the part of the cover deemed effective. The non-effective part is retained in financial income.

- **Derivative financial instruments designated as hedges**

On 31 December 2007, derivative instruments taken out by the Group were not deemed to be hedging instruments.

## **2.11. Trade receivables and other debtors**

Trade receivables arise from sales of goods and services provided by the Group in the context of its business. Other debtors include mainly tax (VAT statements) and social receivables. These assets are evaluated and initially posted at their fair value.

An impairment is posted when objective indicators exist suggesting that the amounts due will not be recoverable, either totally or partially. Notably, for assessment of the recoverable value of trade receivables, the balances due at closing are individually examined and the necessary measures are taken if there seems to be a risk of non-recovery.

## **2.12. Cash and cash equivalents**

The title "Cash and equivalents" includes cash deposits as well as monetary investments which are available immediately and subject to only a negligible risk of change in value.



Monetary investments are evaluated at their market value on the closing date. Variations in value are registered in cash and cash equivalents income.

Bank overdrafts appear in liabilities under the title "Current financial liabilities".

### **2.13. Share capital**

Ordinary shares are classed as a share capital instrument.

Costs directly attributable to the issuing of new shares or options are posted under share capital as a deduction from issuing income, net of tax.

Shares in the Company THEOLIA held by the Group are shown as a deduction from share capital, until annulment or transfer of the shares. In case of sale of such shares, the income net of costs directly attributable to the transaction and tax implications is included in share capital attributable to part of the Group.

THEOLIA is not obliged to satisfy balance ratios for its capital.

The Group does not consider certain items constituting share capital as representing managed capital (including share capital of the convertible compulsory borrowing, income and expenses directly entered in share capital).

### **2.14. Share warrants and free shares**

#### **▪ Share warrants**

The Group allocates share warrants to certain members of staff and to members of the board of directors. These transactions whose payment is based on shares and which are settled in an equity instrument are evaluated at fair value (excluding the effects of acquisition conditions other than market conditions) at the date of allocation. The fair value determined at the date of acquisition is posted in expenses according to the linear method for the period of acquisition of rights, on the basis of the number of shares that the Group expects to issue, adjusted by the effects of the conditions for acquisition of rights, other than market conditions.

The fair value is evaluated using the most appropriate model (Black-Scholes-Merton or binomial). The expected lifespan used in the model has been adjusted on the basis of estimates of management, effects of non-transferability, restrictions on conditions of exercise and information on the means of exercising of members of staff.

#### **▪ Free shares**

The Group allocates free shares to certain employees. The value of these shares is determined during the day of allocation.

#### **▪ Posting**

The benefits corresponding to the rights allocated in the form of share warrants or free shares are posted according to the beneficiaries:

- in employee costs,
- or in other operating income and expenses.

Only programmes subsequent to 7 November 2002 have required posting.

## **2.15. Employee benefits**

### **▪ Types of schemes**

As a result of legal or customary obligations, the Group participates in complementary pension schemes or other long-term advantages for the benefit of employees. The Group offers these benefits through defined contribution schemes.

The only defined benefit scheme concern retirement benefits paid to employees of entities situated in France.

In the context of defined contribution schemes, the Group's only obligation is the payment of contributions. Contributions paid into schemes are registered under period expenses.

### **▪ Nature of undertakings**

#### **- Retirement indemnities**

Retirement indemnities relate to the collective agreement applicable within the Group, concerning retirement indemnities at retirement or at the end of career paid in case of voluntary departure or compulsory retirement of employees. Retirement indemnities are part of the defined benefit scheme.

#### **- Complementary retirement schemes**

No scheme complementary to the minimum legal employees' pension has been entered into by the Group for the benefit of its employees.

### **▪ Assessment of undertakings**

Contributions relating to the defined contribution schemes are entered as expenses to the extent that they are called upon.

The undertakings arising from the defined benefit schemes, as well as their cost, are determined according to the projected credit units method. Evaluations take place each year. Actuarial calculations are provided by external consultants.

These schemes are not financed and their undertaking is entered as a liability on the balance sheet. The principal scheme concerns end of career payments (retirement indemnities). The actuarial differences result mainly from amendment of hypotheses and the difference between the income according to the actuarial hypotheses and the actual income of the defined benefit schemes. These actuarial differences are directly posted under income for the period. The expense posted on the income statement, under operating income, for the defined benefit schemes includes the cost of services provided during the financial year, the cost of previous services, the actuarial differences as well as the effect of any reduction or liquidation of a scheme, where relevant.

The financial cost corresponding to the expense of accretion of the provision, in light of its insignificant character, is posted as employee expenses, in the operating income for the period.

The defined benefit schemes within the Group have not been subject to amendments creating any past services costs since the creation of the Group.

In the context of the creation of the opening balance statement in the IFRS on 1 July 2004, the THEOLIA Group exercised the option in IFRS standard 1 which permits the posting of the whole of the actuarial differences at that date as a deduction from equity.

## **2.16. Other provisions**

A provision is posted when, at closing of the period, the Group has a current obligation (legal or implied) resulting from past events and it is likely that an outflow of resources representing future economic benefits will be necessary to meet that obligation.

Provisions are updated if the effect of time is significant. An increase in provision linked to the passage of time is therefore posted in financial expenses.

In the context of restructuring, a provision can only be constituted if the restructuring has been the subject of an announcement and a detailed plan, or of a commencement of execution at the closing of the period.

Litigation (mainly before an industrial tribunal) is provided for when a Group obligation to a third party exists at the time of closing. The provision is evaluated in light of the best estimate of foreseeable expenses.

Possible dismantling costs are not the subject of a provision, to the extent that the Group believes that currently, these costs are not significant (around 30 to 40 K€ per mast, established costs in France and Germany), and will remain at a level less than or equal to the amount which would arise from its dismantling.  
In current conditions, the dismantling of installed windmills would result in no cost.

## **2.17. Loans**

Loans are posted at their original fair value, reduced by associated transaction costs. These costs (fees and loan issuing premiums) are taken into account in the calculation of the amortized cost according to the real interest rate method.

At each closing, financial liabilities are then evaluated at their amortized cost according to the real interest rate method.

Loans are separated into:

- current liabilities for the part to be repaid in the twelve months following closing,
- and non-current liabilities for payments due after twelve months.

Convertible loans are assessed as hybrid instruments, with a liability component and an equity component. After the determination of the net cost of issuing costs (amortized cost),

- the liability component will be evaluated in relation to the fair value of the debt instrument, on the basis of market conditions at the date of issue;
- the equity component will be evaluated by the difference between the amortized cost and the amount of the debt instrument, net of tax.

## **2.18. Trade payables and other creditors**

Commercial debts and other debts are posted at their historical cost.

## **2.19. Deferred tax**

The title "Income tax expense" includes tax payable regarding the financial year and the deferred tax included in the income for the period.

Deferred taxes are established, using the variable report method, for the time differences existing at closing between the tax basis for assets and liabilities and their accounting value, as well as on tax deficits. No deferred tax liability has been established over goodwill.

A deferred tax asset is posted for tax deficits and unused tax credits to the extent that it is likely that the Group will have future taxable benefits at its disposal over which such tax losses and unused tax credits may be charged.

Deferred tax assets and liabilities are evaluated at the tax rate which is expected to apply in the financial year during which the asset will be realised or the liability settled, on the basis of the tax rate (and fiscal regulation) which has been adopted or quasi-adopted at the date of closing.

Deferred taxes are calculated entity by entity. They are balanced when taxes are received by the same fiscal authority and when they report to the same fiscal entity (tax group).

A payable deferred tax is posted as income or an expense on the income statement unless it relates to a transaction or event which is posted directly under equity.

Deferred taxes are presented under specific titles on the balance sheet included in non-current assets and liabilities.

## **2.20. Determination of current operating income**

The income statement is presented according to nature of expense.

**Current operating income** corresponds to the operating income corrected by other non-current income and expenses which are of an unusual character or are rare in occurrence, such as:

- goodwill and asset impairments established in the context of depreciation tests according to IAS 36;
- expenses related to restructuring or linked to adaptation to the size of significant amounts; concerning significant events or decisions;
- dilution income and losses;
- income and expenses resulting from litigation of a significant amount, deployment operations or major capital (integration costs for a new business...);

## **2.21. Earnings per share**

The diluted earnings per share are calculated in accordance with the provisions of IAS standard 33 "Earnings per share". These earnings are calculated taking into account the maximum number of shares which may be in circulation.

## **2.22. Information by sector**

### **■ Primary information: business lines**

The Group operates in the branch of industry referred to as Wind:

- Construction of installations for the production of electricity from wind power, for third parties or for the Group. This business includes "development",
- Operation of wind farms.

And in the non-Wind branch corresponding to other businesses:

- Production of electricity from biomass and cogeneration techniques,
- Production of electricity from peaking stations,

- Waste treatment, assessment of air quality, sludge treatment.

▪ **Secondary information: geographic**

Business line information is also presented by geographic sector, with areas corresponding to the regions in which products are sold. These regions are:

- France;
- Germany;
- the rest of the world.

The business line information note provides information on the products and income per branch of industry, as well as certain information relating to assets, liabilities and investments.

Assets by business line are operating assets used by a sector in the context of its operating activities. They include attributable goodwill, tangible and intangible assets, as well as current assets used in the sector's operating activities. They do not include deferred tax assets, other investments or non-current receivables and other financial assets. These assets are collected under the title "non-allocated assets".

Liabilities by business line are liabilities resulting from the activities of a sector, which are directly attributable to that sector or which can reasonably be allocated to it. They include current and non-current liabilities with the exception of financial liabilities and deferred tax liabilities. These liabilities are collected under the title "non-allocated liabilities".

## **2.23. Pro forma information**

The pro forma statements of the Group are established when acquisitions and / or transfers lead to a variation of more than 25%. The information submitted relates to the business for the current year.

## **3. Estimates and uncertainties**

The creation of the financial statements according to the IFRS system of reference required the Group Directors to carry out estimates and to formulate hypotheses which affect the accounting value of certain items of assets and liabilities, income and expenses, as well as the information provided in some of the notes in the annex.

The key hypotheses are as follows:

- likelihood of success and commissioning of different wind projects;
- updating hypotheses used in the different models of valuation applied;
- financing hypotheses for different wind projects.

The accounts and information subject to significant estimates concern in particular intangible assets, property, plant & equipment, goodwill, other non-current assets, financial derivatives, provisions for risks and expenses, and deferred taxes.

These hypotheses are uncertain in nature, and their completion could differ from the estimates. The Group regularly reviews its estimates and assessments so as to take into account past experience and to include factors deemed relevant in light of economic conditions.

Some of the principles used rely on the judgement of the Group Directors in the choice of hypotheses used for the calculation of financial estimates, which involve a certain degree of uncertainty because of their nature. These

estimates rely on comparable historical data and on different hypotheses which are deemed the most reasonable and the most likely in the circumstances.

The Directors set out hereafter the accounting principles used by the Group in the preparation of the consolidated financial statements, which involve the use of its judgement and recourse to estimates, and has a significant impact on the consolidated financial statements in IFRS.

### **3.1 Specified lifespan intangible assets and property, plant & equipment**

The Group has recourse to estimates and has to use certain hypotheses relating to (i) evaluating the expected lifespan of assets in order to determine the duration of their amortization and (ii) establishing, where necessary, a depreciation on the value of any asset on the balance sheet.

The estimates used to determine the expected lifespan of the assets have been applied by all parts of the Group.

Aiming to ensure an accurate valuation of its assets on the balance sheet, the Group regularly reviewed certain indicators which would lead a depreciation test where relevant.

The calculation of the recoverable value of an asset or group of assets might require the Group to have recourse to the use of estimates, to determine the amount of future cash flow expected from an asset or group of assets, as well as the updated adequate yield to calculate the updated value of such cash flows.

Any negative change affecting the operating performance or the amount of expected future cash flow of an assets taken individually or as groups of assets would affect the recoverable value of those assets taken individually or these groups of assets and, therefore, could lead to registration of an impairment on the amounts on the balance sheet of the relevant assets.

### **3.2 Depreciation test for goodwill and unspecified lifespan intangible assets**

Goodwill, unspecified lifespan intangible assets and on-going development projects are subject to a depreciation test each year at closing, as well as whenever indicators show that an impairment may have been incurred.

These depreciation tests necessitate the use of hypotheses defined by the Group Directors.

The Group Directors believe that the completion of annual tests is subject to estimates and judgement because the determination of recoverable values implies the use of hypotheses regarding:

- the determination of updating rates required for the updating of future cash flow created by assets or by cash creating units;
- the determination of future operating cash flows, as well as their final value;
- the estimation of the increase in sales created by the assets tested, and
- the estimation of the operating margin linked to those assets for the relevant future periods.

The hypotheses used by the Group for the calculation of the recoverable value of its assets rely on past experience as well as on external data. To determine the future growth rate of revenue created by a specific asset, the operating margin rates and operating cash flow created by a specific asset, the Group used the budgets of each entity as a basis for the estimation of cash flow for the next 5 years. For subsequent periods, the hypotheses for the fifth year were applied.

### **3.3 Deferred taxes**

The recoverable value of deferred tax assets is reviewed at each date of closing. This value is reduced to the extent that it is not likely that a sufficient taxable benefit will be available permitting use of the benefit linked to all or part of these deferred tax assets.

The Group Directors therefore must identify the deferred tax assets and liabilities and determine the amount of posted deferred tax assets. Once a subsidiary has recently registered fiscal losses, the existence of a benefit which will be taxable in future was deemed unlikely, at least where the recognition of a deferred tax asset could be justified by:

- losses linked to the occurrence of exceptional circumstances which will not recur in the near future and / or
- a future prospect of exceptional profits and
- the expected future earnings from long term contracts.

### **3.4 Post-employment benefits**

Determination by the Group of the provision for retirement and comparable benefits and the corresponding expense depends on the hypotheses used by the actuaries in order to determine those amounts. These hypotheses are described in note 2.15 of the Group's consolidated financial statements, and include in particular the updating rate, and the turnover of employees. These hypotheses, used for the calculation of retirement undertakings and comparable benefits are determined in reliance on the experience of the Group and on external data.

## **4. Management of risks linked to financial instruments**

### **4.1 Credit risk**

According to IFRS standard 7, credit risk represents the financial loss for the Group when a client or other party to a financial instrument fails to perform its contractual obligations.

In the context of its control of outstanding payments, and more particularly in the context of its business of trading in wind farms, the Group is also careful to neither create nor maintain any dependence in respect of any of its clients. These strategies currently permit it to identify and better manage the exposure inherent in these activities.

Further, the Group regularly examines the financial viability of its clients, taking into account their financial situation, past experience and other factors.

Most trade receivables are paid within 2 months.

### **4.2 Liquidity risk**

The liquidity risk is the risk that the Group might not meet its obligations in time or in normal conditions. The Group's Financial Directors are responsible for liquidity, financing and the management of payments. The Group manages the liquidity risk on a consolidated basis taking into account operating needs. The Directors manage the net liquidity of the Group on the basis of forecasts taking into account expected cash flows. The Group's cash and cash equivalents are held in first rate financial establishments.

### **4.3 Exchange risk**

In light of its strong presence in the Euro zone, the Group is still barely exposed to exchange risk. Its development in India, Brazil, Morocco, Canada and certain European countries outside the Euro zone will progressively increase this exposure.



Generally, the exchange risk is partially dealt with by management of expenses and revenue in the currency of the relevant entity.

#### **4.4 Interest rate risk**

Financing projects created by the Group, in particular wind farms, requires significant reliance on debt. A significant rise in interest rates could therefore have an impact of the profitability of future Group projects. In order to limit this risk, the Group has implemented a policy of covering rate risks through contracts for the exchange of interest conditions (rate swaps). From an economic point of view, the implementation of these swaps allows the conversion of variable rate loans to fixed rate loans and to protect itself against fluctuation in interest rates. Power stations in operation benefit from long-term fixed rates. In general, banking establishments require cover for 100% of the amount of finance, for its entire duration.

The Group does not apply cover accounting.

### **5. Principal facts characteristic of the period**

#### **▪ Registration of THENERGO on Alternext**

THEOLIA Benelux, renamed THENERGO, consolidated the non-wind businesses of the THEOLIA Group, with the exception of the Environment and peaking stations businesses.

On 14 June 2007, the Company THENERGO was registered on the Alternext market of Euronext Paris. This registration was followed by an increase in reserved capital to the amount of 65 M€ on 18 June 2007. Following these deals, THEOLIA's investment went from 91.01% to 35.20%.

In the context of these external growth deals, the Company THENERGO opened its capital to new partners. On 31 December 2007, THEOLIA's investment in THENERGO's capital was 29.19%.

This dilution, implemented in a number of stages, translates to an accounting profit of 22,981 K€.

#### **▪ Partnership with General Electric**

In February 2007, THEOLIA and GE Energy Financial Services approved the conclusion of a strategic partnership agreement.

On 2 July 2007, THEOLIA benefited from a contribution of European wind farms from GE Energy Financial Services with a total installed capacity of 165 megawatts. GE Energy Financial Services received 5,250,000 new shares as payment for its contributions.

GE Energy Financial Services also wished to support THEOLIA's strong growth by subscribing to an increase in reserved capital of 20 million Euro in exchange for 1,212,000 new shares. A grant of share warrant will enable GE Energy Financial Services to acquire 3,000,000 supplementary shares in THEOLIA.

In the context of the reorganisation of the Group's structure, the wind farms contributed by General Electric have been the subject of a contribution by THEOLIA to its German subsidiary Natenco Holding.

On 2 July 2007, GE Energy Financial Services's investment in THEOLIA amounted to 17.03%.



Under the terms of that agreement, THEOLIA and GE Energy Financial Services will collaborate in different matters. GE Energy Financial Services will first present proposals to THEOLIA for all wind farm development opportunities in the 27 countries of Europe. THEOLIA will benefit from the knowledge and expertise of the GE Group in project financing matters. It is also agreed that THEOLIA will have access to the GE Group's products and services in the field of energy.

- **Creation of THEOLIA Greece**

THEOLIA Greece was created in August 2007, in order to develop wind projects in Greece.

- **Creation of THEOLIA Emerging Markets**

On 20 September 2007 THEOLIA unveiled its subsidiary THEOLIA Emerging Markets, TEM, dedicated to the development of systems of electricity production from renewable energy, which will work exclusively in the emerging markets. The areas covered by TEM are North Africa, India, South America and Eastern Europe.

- **Implementation of a convertible bond/OCEANES**

In October 2007 THEOLIA issued Oceans (Obligation convertible at option and / or exchange in new and existing shares) of a total amount of 240,000,000 €.

- **Acquisition of the Company MAESTRALE GREEN ENERGY, Italian developer**

On 23 November 2007 THEOLIA completed the acquisition of an Italian developer, the MAESTRALE GREEN ENERGY group. This acquisition was concluded for a total price of 6,761,372 €. All projects developed by the Company are situated in Italy. MAESTRALE GREEN ENERGY's pipeline of projects corresponded to 500 MW at the date of acquisition.

THEOLIA signed earn out agreements in case of successful development operations with the sellers of MAESTRALE GREEN ENERGY. These success fees agreements provide for payment of a sum at the time of obtaining definitive permits.

The accounting system applied will depend on the degree of advancement of the relevant projects at closing. When the project's advancement does not guarantee its successful conclusion, no liability will be declared or posted. When it becomes likely that the remuneration will be paid, in light of the project's advancement, the corresponding future liability will be stated in the annex.

On 31 December 2007 the potential liabilities regarding this contract were 1,500 K€, relating to the Martignano project.

Following the results of the audits prior to acquisition, the agreement signed on 29 June 2007 with the Dutch Company has not been repeated.

## 6. Events subsequent to closing

## ▪ **Acquisition of the Company *Compagnie Eolienne du Détroit* by THEOLIA**

On 4 January 2008 THEOLIA finalised the acquisition of the *Compagnie Eolienne de Détroit*, whose majority holdings were held by EDF International. This acquisition related to 100% of rights and the amount of the transaction reached 45,241 K€. This acquisition took place in cash, and the resulting goodwill is estimated at this stage at the sum of 15,700 K€.

Situated in Tétouan, CED owns the wind installation located in the Kingdom of Morocco. It comprises 84 windmills for a total installed power of 50.4 MW, and produces around 190 MWh per year. A team of 10 people has managed the installation since its opening in 2000.

## **7. Development of scope of consolidation**

### ▪ **Scope of consolidation**

On 31 December 2007, the scope of consolidation, other than the parent company, included 112 companies over which it held exclusive control, either directly or indirectly (in contrast to 92 on 31 December 2006).

A complete list of these companies can be found at note 36 "List of companies of the Group".

### ▪ **Acquisitions**

- Acquisition by means of contribution of wind farms in operation in Germany.
- Acquisition of the Company Maestrale Green Energy and its subsidiaries
- Investment in the capital of the Germany Company Ecolution
- Repurchase of the investment balance in the Canadian Company THEOLIA Première Nation Inc.
- Takeover of the Swiss Company Biocarb

### ▪ **Transfers and other variations**

#### ○ **Constitution of the THENERGO organisation**

THEOLIA's investment has been reduced: from 91.01% (on 31.12.2006) to 29.19%.

This dilution has translated into a loss of exclusive control of the entity, and has led to consolidation of the THENERGO securities by the equity method.

The investment in THENERGO has therefore been dealt with in the following way:

- Posting of all income and expenses for the period from 1 January 2007 to the date of increase in capital, that is 14 June 2007,

- Posting of income after that date for only the Group share (29.19%) under the title "Income from associated companies"
- Posting of the investment under the title "Associated companies" in place of the assets and liabilities of the THENERGO sub-group

- **Transfer of the Company Centrale Eolienne de la Fage.**

- **Consolidation of THEOLIA Emerging Markets (TEM)**

The percentage of holdings in TEM is 47.52%. Nevertheless, on the basis of a voting agreement established with all the shareholders of the said Company, it has been consolidated by total integration to the extent that THEOLIA has control of it.

- **Pro forma information**

The main deal affecting the comparability of the statements is the acquisition deal of the wind farms contributed by General Electric.

As the consolidated balance sheet on 31.12.2007 contains all items regarding this acquisition, the pro forma information submitted is limited on the income statement established for the full year, as if that acquisition had taken place at the start of the year.

The pro forma income statement was established by the summation of consolidated income of the acquired companies, established according to IFRS standards.

	THEOLIA Group	Wind farms (GE)	THEOLIA Group proforma
	31/12/2007	30/06/2007 (6 months)	31/12/2007
<b>Sales</b>	306 481	16 904	323 385
Purchases and changes in inventories	(230 784)	-	(230 784)
External expenses	(34 746)	(2 039)	(36 785)
Taxes	(1 139)	-	(1 139)
Personnel expenses	(23 413)	-	(23 413)
Depreciations and amortization	(18 382)	(5 254)	(23 636)
		-	
Other operating income and expenses	(1 267)	(751)	(2 018)
<b>Current Operating income</b>	<b>(3 250)</b>	<b>8 860</b>	<b>5 610</b>
Other non-current operating income and expenses	21 014		21 014
<b>Operating Income (before Goodwill depreciation)</b>	<b>17 764</b>	<b>8 860</b>	<b>26 624</b>
Goodwill impairment *	(56 490)		(56 490)
<b>Operating Income (after goodwill depreciation)</b>	<b>(38 726)</b>	<b>8 860</b>	<b>(29 866)</b>
Cost of gross financial debt	(13 240)	(2 160)	(15 400)
Income from cash and cash equivalents	3 154	-	3 154
<b>Cost of net financial debt</b>	<b>(10 086)</b>	<b>(2 160)</b>	<b>(12 246)</b>
Other financial income and expenses	2 145	327	2 472
Share of income from associates	589		589
Income tax expense	(2 729)	(1 966)	(4 695)
<b>Net Income</b>	<b>(48 807)</b>	<b>5 061</b>	<b>(43 746)</b>
Group share	(48 262)	5 061	(43 201)
Minority interests	(546)	-	(546)

(\*) cf. note 8

## 8. Groupings of companies

### Previously acquired assets and liabilities

- **APESA (Spain)**

Determination of the definitive fair values has led to use of a valuation of 58 MW on the basis of 150 K€ per unit. The allocation of provision bases has been definitively carried out as follows:

<i>In thousand Euro</i>	<b>Acquired assets and liabilities</b>	<b>Adjustment</b>	<b>Fair value of acquired Assets and liability</b>
Intangible assets	3	8 700	8 703
Property, plant & equipment	1 510		1 510
Non current financial assets	778		778
Clients	69		69
Other current assets	275		275
Cash and cash equivalents	-17		-17
Non current financial liabilities	0		0
Non current liabilities	0		0
Trade payables and other creditors	2 682		2 682
Tax and social security liabilities	3		3
Deferred tax liabilities	0	2 900	2 900
<b>Total net acquired assets</b>	<b>-66</b>	<b>5 800</b>	<b>5 734</b>
Securities purchase price	9 860		9 860
Acquisition costs	259		259
<b>Total cost of acquisition</b>	<b>10 119</b>		<b>10 119</b>
<b>Acquisition balance</b>	<b>10 186</b>		<b>4 385</b>

Residual goodwill is justified by the expected profitability for the construction of the Almeria wind farm, subject of rights held by APESA.

▪ **Natenco**

The posting of the Natenco acquisition gave rise to a provisional allocation in the statement of 31 December 2006.

The final allocation took account of the posting of the following items in intangible assets:

- Commercial name: 300 K€
- Management contracts: 1,400 K€
- Corresponding deferred tax: (510) K€

The management contracts have been amortized for a period of 16 years.

The residual goodwill of 75,098 K€ corresponds to Natenco's ability to develop, sell and manage wind farms, and to the future profits which will result from these activities.

<i>In thousand Euro</i>	Natenco Gmbh/ Wolgast	Goodwill	Correction Goodwill	Price Adjustments	Goodwill Allocation	Natenco Gmbh/ Wolgast allocate
Goodwill		75 715	1 400		-1 190	75 925
Intangible assets	1 273				1 700	2 973
Property, plant & equipment	35 841					35 841
Non current financial assets	20 008					20 008
Stocks	42 633					42 633
Clients	24 179					24 179
Other current assets	11 287					11 287
Cash and cash equivalents	18 555					18 555
Non current financial liabilities	65 941					65 941
Other non current liabilities	12					12
Current financial liabilities	2 879					2 879
Current provision share	0		265			265
Trade receivables and other creditors	55 395		1 135			56 531
Tax and social security liabilities	0					0
Deferred tax liabilities					510	510
Current tax	85					85
<b>Total net acquired assets</b>	<b>29 463</b>	<b>75 715</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105 177</b>
Securities purchase price	100 285		0	0	0	100 285
Costs of acquisition	4 276		0	617	0	4 892
<b>Total cost of acquisition</b>	<b>104 561</b>	<b>0</b>	<b>0</b>	<b>617</b>	<b>0</b>	<b>105 178</b>
<b>Goodwill</b>	<b>75 098</b>		<b>1 400</b>	<b>617</b>	<b>-1 190</b>	<b>75 925</b>

#### ▪ Natenco SAS

Goodwill established on 31 December 2006, of the amount of 1,522 K€ has been increased by the remainder of the price posted during the financial year, that it 3,257 K€. The goodwill total has risen to 4,779 K€.

No other amendment took place during the financial year. The goodwill shown on the statement is final.

The residual goodwill of 4,779 K€ corresponds to Natenco SAS's ability to develop, sell and manage wind farms, and to the future profits which will result from these activities.

#### ▪ Main assets and liabilities acquired during the financial year

As a result of the complexity of the acquisitions described below, identification and evaluation of intangible assets generally requires expert assessment, which means the Group has not been able to provide a finalised allocation of acquisition price at the date of closing.

Therefore, for all acquisitions described below, the definitive allocation of acquisition price will be established at the latest within 12 months following acquisition, and so has not yet been completed.

The net accounting value of the assets and liabilities acquired during the financial year is as follows:

<i>In thousand Euro</i>	<b>Maestrale Group</b>	<b>Biocarb</b>	<b>Windwin</b>	<b>Wind farms (GE)</b>
<i>Acquisition date</i>	<i>22/11/2007</i>	<i>13/08/2007</i>	<i>31/12/2007</i>	<i>02/07/2007</i>
Goodwill				
Intangible assets	2 498		0	4 590
Property, plant & equipment	2 222	293	19 895	178 079
Non current financial assets	3 615	8	45	376
Deferred tax assets	5		0	0
Stocks	583	15	0	0
Clients	163	6	868	2 014
Other current assets	1 857	150	2 534	58 107
Cash and cash equivalents	538	456	237	10 922
Non current financial liabilities	6 673	1 101	8 420	173 744
Other non current liabilities	1			0
Current financial liabilities	487		23 954	17 375
Provisions	29			0
Trade receivables and other creditors	3 342	398	1 016	3 037
Tax and social security liabilities	19	39	105	3 264
Deferred tax liabilities	0		2 762	1 140
<b>Total net acquired assets</b>	<b>931</b>	<b>-609</b>	<b>-12 678</b>	<b>55 528</b>
Securities purchase price	5 560	727		144 165
Cost of acquisition	1 202	19		0
<b>Total cost of acquisition</b>	<b>6 761</b>	<b>745</b>	<b>0</b>	<b>144 165</b>
<b>Goodwill</b>	<b>5 831</b>	<b>1 354</b>	<b>12 678</b>	<b>88 637</b>

The provisional Maestrale goodwill of 5,831 K€ corresponds to Maestrale's ability to develop and sell wind farms, and to the future profits which will result from these activities.

The provisional Biocarb goodwill of 1,354 K€ corresponds to Biocarb's ability to create income in the context of its business in the production of bio-fuels and related products.

The provision Windwin goodwill is justified by the value of the installation compared to the market price of German wind farms.

The certification of 88,637 K€ goodwill on the deal for the contribution of wind farms of the subsidiaries of the General Electric Group results from the accounting recommended by IFRS standard 3. This requires the posting of the contribution on the basis of the fair value of securities issued in return for the contribution on the date of issue of the securities, that is on 2 July. This fair value corresponds to current rates.

This has as a consequence the display of goodwill of 88,637 K€ of which 56,490 K€ arises from the difference between the value of the securities on 2 July (27.26 €) and the value of the securities as defined in the contract (16.50 €). The part of the goodwill corresponding to this difference, 56,490 K€, established at the time of the accounting treatment of the deal in accordance with the IFRS standards depreciated immediately.

This depreciation was a technical adjustment which has no effect on the key indicators for the Group's 2007 business, nor on the value and profitability prospects of the acquired assets.

The balance of 32,147 K€ corresponds to a provisional goodwill justified by the market value of the acquired installations. In accordance with IFRS standard 3, the allocation of this goodwill will be finalised during the first half of 2008.

The main aggregates of the acquired entities are as follows for the complete year:

<i>In thousand Euro</i>	<b>Maestrale Group</b>	<b>Wind farms (GE)</b>
Sales for the year 2007	-	30 302
Net income for the year 2007	- 1 264	7 680

## 9. Goodwill

### ▪ Analysis of item

	<b>Gross value</b>	<b>Impairment</b>	<b>Net value</b>
<b>Values at opening on 01/01/2007</b>	<b>99 136</b>	-	<b>99 136</b>
Regrouping of companies	108 755	(56 490)	52 265
Transfers	(15)	-	(15)
THENERGO effect	(6 871)	-	(6 871)
Other variations	5	-	5
<b>Values at closing on 31/12/2007</b>	<b>201 011</b>	<b>(56 490)</b>	<b>144 521</b>

### ▪ Allocation of goodwill per Cash Creating Unit

The Group's activities are therefore classed in the following categories:

- Development and construction of wind farms,
- Production of energy from wind power,
- Non wind business.

Further, the business of production of energy from wind power is itself sub-divided into as many cash creating units as there are distinct geographical sectors. To date, 'geographical sectors' refers to France and Germany, which are the only countries with operating wind farms.

<b>Categories</b>		<b>Gross value</b>	<b>Impairments</b>	<b>Net 31/12/2007</b>	<b>Net 31/12/2006</b>
Development and construction of wind farms		93 577	-	93 577	76 254
Business of production of energy from wind power	France	820	-	820	10 884
Business of production of energy from wind power	Germany	101 316	(56 490)	44 826	
Non-wind business		5 298	-	5 298	10 599
<b>Total</b>		<b>201 011</b>	<b>(56 490)</b>	<b>144 521</b>	<b>97 737</b>



## 10. Intangible assets

	Project underway	Development costs	Software and similar rights	Other intangible assets	TOTAL
<b>Gross values at the opening of the period on 01/01/2007</b>	<b>40 367</b>	<b>3 758</b>	<b>327</b>	<b>5 566</b>	<b>50 018</b>
Acquisitions and assets generated internally	3 548	473	60	2	4 083
Industrial commissioning	(7 272)	7 272	-	-	-
Groupings of companies	3 326	4 608	6	17	7 957
Transfer of rights	(2 595)	-	(18)	-	(2 613)
Sales	(2 154)	-	-	-	(2 154)
Impact of change in method of consolidation	(4 713)	-	-	-	(4 713)
Conversion gain	5	-	-	-	5
Other changes	(206)	(737)	-	(64)	(1 007)
<b>Gross values at closing on 31/12/2007</b>	<b>30 306</b>	<b>15 374</b>	<b>375</b>	<b>5 521</b>	<b>51 576</b>
<b>Depreciations and amortizations at the opening of the period on 01/01/2007</b>	<b>(2)</b>	<b>(55)</b>	<b>(126)</b>	<b>(2)</b>	<b>(184)</b>
Amortizations	(75)	(238)	(108)	(242)	(663)
Depreciations following value tests	(158)	-	-	(3 832)	(3 990)
Company consolidations	-	-	(1)	(3)	(4)
Reversals on sales	-	-	3	-	3
Impact of change in method of consolidation	-	-	-	99	99
Other changes	2	(63)	-	(2)	(63)
<b>Cumulative depreciations and amortizations at closing on 31/12/2007</b>	<b>(233)</b>	<b>(356)</b>	<b>(232)</b>	<b>(3 982)</b>	<b>(4 802)</b>
<b>Net opening values on 01/01/2007</b>	<b>40 365</b>	<b>3 703</b>	<b>201</b>	<b>5 564</b>	<b>49 835</b>
<b>Net closing values on 31/12/2007</b>	<b>30 073</b>	<b>15 018</b>	<b>143</b>	<b>1 539</b>	<b>46 774</b>

The acquisitions made over the period were concerned mainly with the progression of wind energy projects under development in France.

The following wind farms were commissioned in 2007 at a total cost of 1 088 K€:

- The wind power station at Les Plos: 244 K€
- The wind power station at Moulin de Froidure: 513 K€
- The wind power station at Sablons: 331 K€

Further, the waste treatment plant in Beaucaire owned by Ecoval 30 was commissioned at a cost of 6 185 K€.

The transactions constituting external acquisitions entered into during the period had a value of 7 957 K€ and involved the acquisition of the rights associated with the development of wind power stations at a cost of 7 934 K€:

- Wind power stations already in operation (Germany): 4 608 K€
- Wind power stations under development (Group Maestrale): 3 326 K€

The building permits for certain wind power stations under development (in France) have been subject to a downward revision of the number of MW to be constructed, which has led to a decrease of 2 595 K€ in the intangible assets constituted by work-in-progress.

Over the period the Group has sold several wind power stations. The development costs of work-in-progress which have been transferred in this manner amount to 2 154 K€. The positive result of this on income for the period is 685K€.

Over the period the change in the audit approach to THENERGO (the equity method) has led to a decrease of 4 713 K€ in the intangible assets appearing on the consolidated balance sheet.

A 100% provision has been established for the period in relation to the Buchen project, the gross value of which amounts to 3 832 K€, on account of the uncertainties linked to its implementation. This project consists of the construction and operation of a factory producing eco-fuel from the reprocessing of plastics through depolymerisation. Negotiations with AWN, the supplier of the raw material and a project partner in this capacity, and the technical partner Nilltech, a Swiss Company which specialises in the depolymerisation of plastics, are currently underway. However, before entering into any binding contractual arrangements, AWN wishes to validate on site the technology which is proposed by Nilltech.

Thus to date the LOI of intent which expired on 31 May 2007 has not been replaced.

As a result, by way of caution and in the absence of any formal legal guarantee, the Group has established a provision for the 100% depreciation of these intangible assets

## 11. Tangible assets

	Land	Buildings	Projects in progress	Technical Installations	Fixed assets under concession	Other fixed assets	TOTAL
<b>Gross values at the opening of the period on 01/01/2007</b>	<b>3 343</b>	<b>569</b>	<b>30 457</b>	<b>81 023</b>	<b>-</b>	<b>8 154</b>	<b>123 546</b>
Acquisitions	271	499	40 421	3 588	-	2 044	46 823
Industrial commissioning	-	-	(50 288)	39 471	10 817	-	-
Company consolidations	3 464	376	5 008	193 153	-	1 617	203 618
Sales	(77)	-	(572)	(1 635)	(32)	(667)	(2 983)
Impact of change in method of consolidation	-	-	(1 085)	(3 136)	-	(6 001)	(10 222)
Conversion differentials	-	(2)	(10)	-	-	5	(7)
Other changes	(1 478)	30	(218)	2 728	205	666	1 933
<b>Gross values at closing on 31/12/2007</b>	<b>5 523</b>	<b>1 472</b>	<b>23 713</b>	<b>315 193</b>	<b>10 990</b>	<b>5 818</b>	<b>362 709</b>
<b>Cumulative depreciations and amortizations at the opening of the period on 01/01/2007</b>	<b>(2)</b>	<b>(34)</b>	<b>-</b>	<b>(2 788)</b>	<b>-</b>	<b>(1 550)</b>	<b>(4 374)</b>
Allocations to amortizations	-	(273)	-	(10 990)	(743)	(608)	(12 614)
Depreciations for loss of value	-	-	(266)	-	-	-	(266)
Groupings of companies	-	-	-	(17)	-	(11)	(28)
Sales	-	-	-	3	17	359	379
Impact of change in method of consolidation	-	-	-	430	-	1 099	1 529
Conversion differentials	-	-	-	-	-	-	-
Other changes	2	(30)	-	(1 459)	(44)	(667)	(2 198)
<b>Cumulative depreciations and amortizations at closing on 31/12/2007</b>	<b>-</b>	<b>(337)</b>	<b>(266)</b>	<b>(14 821)</b>	<b>(770)</b>	<b>(1 378)</b>	<b>(17 572)</b>
<b>Net opening values on 01/01/2007</b>	<b>3 341</b>	<b>535</b>	<b>30 457</b>	<b>78 235</b>	<b>-</b>	<b>6 604</b>	<b>119 172</b>
<b>Net closing values on 31/12/2007</b>	<b>5 523</b>	<b>1 135</b>	<b>23 447</b>	<b>300 372</b>	<b>10 220</b>	<b>4 440</b>	<b>345 135</b>

Out of acquisitions with a value of 46 823 K€ over the period, 44 196 K€ is accounted for by the progression of wind energy projects under construction, which have a value of 37 302 K€ in France, a value of 3 119 K€ in Spain and a value of 3 775 K€ in Germany.

During the period, the Group has finalised the construction of three wind power stations in France and has finalised the construction of the waste treatment plant belonging to Ecoval 30. The total (50 288 K€) is made up of the following assets:

- the wind power station at Sablons	11 795 K€
- the wind power station at Les Plos	13 163 K€
- the wind power station in Moulin de Froidure	14 513 K€
- the waste treatment plant	10 817 K€

The transactions constituting external acquisitions entered into during the period led to an increase in the value of tangible assets in the sum of 203 618 K€, which is principally broken down as follows:

- Acquisition of operational wind power stations (Germany):	198 106 K€
- Acquisition of wind power stations under construction (Italy):	4 468 K€

The following divestments were made over the period, amounting to 2 983 K€:

- Sale of operational wind power installations (Germany):	1 876 K€
- Sale of wind power installations under construction (France):	572 K€
- Sale of miscellaneous tangible assets:	535 K€

Over the period, the change in the audit approach to THENERGO (the equity method) has led to a decrease of 10 222 K€ in the value of the tangible assets appearing on the consolidated balance sheet.

## 12. Associates

On 31 December 2007, the income of the entities for which accounts were prepared in accordance with the equity method was as follows:

in thousands of Euro	%	Share in the net financial position of the associates	Share in profits of the associates
ERNEUERBARE ENERGIE ERNTE VIER GmbH	48.00%	0	-4
ECOLUTIONS	35.21%	25 346	0
THENERGO	29.19%	37 931	593
<b>Total on closing at 31/12/2007</b>		<b>63 277</b>	<b>589</b>

A fair value of the shareholding of the Group in Thenergo, calculated on the basis of the share price on 31 December 2007, is 36 175 K€. Taking into account the forecasts for growth, the Group has not established a provision for its depreciation at the end of the period. On 11 April 2008 a fair value for the shareholding is 49 523 K€.

In 2007, the item has evolved as follows:

	Ecolutions	Thenergo	Shareholdings of Thenergo	EEEV	Total
Value of the stock at the beginning of the period	0	0	631	-4	627
Allocation for goodwill	10 031	2 547			12 578
Change in the consolidation method applicable to the Thenergo Group		26 081	-631		25 450
Acquisition of shareholdings	15 315				15 315
Increase in share capital		3 657			3 657
Leysen performance bond of 20 000 K€		5 838			5 838
Share of the Group in the profits for the period	0	-18		-4	-22
Share-based payments		775			775
Other changes		-949		7	-942
<b>Value of the stock at the end of the period</b>	<b>25 346</b>	<b>37 931</b>	<b>0</b>	<b>-1</b>	<b>63 276</b>

The principal financial data for the associates is as follows:

	Ecolutions	Thenergo
% of shareholding	35.21%	29.19%
<b>Financial data at 100%</b>		
Sales	0	20 810
Operating expenses	0	18 472
Ebitda	0	636
Net profit	0	859
- including the share of the Group in the consolidated profit	0	-61
Goodwill	10 031	2 547
Shareholders' equity at 31/12/2007	43 315	122 473
- including the share of the Group in the shareholders' equity	15 315	35 384
<b>Value of the stock held in the associates</b>	<b>25 436</b>	<b>37 931</b>

The value of the goodwill in Ecolutions is based on the business plans presented by the Board of Directors of the Company and the future profits which will result from the development of its activities.

### 13. Financial assets

31/12/2007	Note	Securities available for sale	Loans and sums payable	Financial assets at a fair value by profit on option	Financial assets at a fair value according to profits	Balance sheet total
Non-current derivative financial instruments						
Other non-current financial assets	14	1 025	43 004			44 029
Clients and other debtors	16		87 367			87 367
Current derivative instruments						0
Other current financial assets			1 128			1 128
Cash and cash equivalents	18				326 199	326 199
<b>Total</b>		<b>1 025</b>	<b>131 499</b>	<b>0</b>	<b>326 199</b>	<b>458 723</b>

31/12/2006	Note	Securities available for sale	Loans and sums payable	Financial assets at a fair value by profit on option	Financial assets at a fair value according to profits	Balance sheet total
Non-current derivative financial instruments						
Other non-current financial assets	14	1 295	19 538			20 833
Clients and other debtors	16		57 447			57 447
Current derivative instruments						0
Other current financial assets			798			798
Cash and cash equivalents	18				65 509	65 509
<b>Total</b>		<b>1 295</b>	<b>77 783</b>	<b>0</b>	<b>65 509</b>	<b>144 587</b>

#### 14. Other non-current financial assets

##### ▪ Changes

	31/12/2006	Increases	Reductions	Other changes	31/12/2007
Non-consolidated securities	1 295	523	(798)	5	1 025
Associated receivables	50	3 309	(3 419)	129	69
Loans	-	13	-	-	13
Other fixed asset receivables	16 905	37 294	(14 596)	2 013	41 616
Other financial assets	2 367	770	(86)	(2 026)	1 025
Deposits and security	215	96	(31)	-	280
Depreciation	-	-	-	-	-
<b>Non-current financial assets</b>	<b>20 832</b>	<b>42 005</b>	<b>(18 930)</b>	<b>121</b>	<b>44 029</b>

On 31 December 2007 no impact was noted on either income or on shareholders' equity in terms of non-current financial assets.

##### ▪ Repayment schedule 31/12/2007

31/12/2007	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Non-consolidated securities			1 025	1 025
Associated receivables	69			69
Loans	13			13
Other fixed asset receivables	37 897	3 719		41 616
Other financial assets			1 025	1 025
Deposits and security			280	280
<b>Non-current financial assets</b>	<b>37 979</b>	<b>3 719</b>	<b>2 330</b>	<b>44 029</b>

##### ▪ Repayment schedule 31/12/2006

31/12/2006	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Non-consolidated securities	798	497		1 295
Associated receivables	50			50
Other fixed asset receivables	14 596	2 309		16 905
Other financial assets	2 112		255	2 367
Deposits and security	31		184	215
<b>Non-current financial assets</b>	<b>17 587</b>	<b>2 806</b>	<b>439</b>	<b>20 832</b>

##### ▪ Analysis

The major portion of other non-current assets is represented by fixed asset receivables. These are essentially constituted by the bridging loans granted by Natenco GmbH to its clients, prior to their securing their own financing (37 897 K€).

## 15. Inventories

	31/12/2007	31/12/2006
Wind energy projects	39 766	8 258
Other energy products	1 635	373
Raw materials	1 730	903
Depreciation	(254)	(72)
<b>Net value</b>	<b>42 877</b>	<b>9 462</b>

Wind energy project inventories are distributed across the following geographic areas:

- France: 7 570 K€
- Germany: 29 982 K€
- Rest of world: 2 214 K€

The inventory held in Germany (Natenco Gmbh) is made up of wind energy projects under construction which are destined to be sold on in 2008.

The inventory balance appearing on the consolidated balance sheet of the Group, that is to 3 365 K€, is made up of non-wind energy activities and mainly by the Company Seres Environnement with a total value of 2 306 K€.

Depreciations are due to wind energy project inventories at a value of 161 K€ and other inventories at a value of 93 K€.

## 16. Trade receivables

### ▪ Changes

	Net value 31/12/2007	Provisions 31/12/2007	Net value 31/12/2007	Net value 31/12/2006
Trade accounts	88 076	(709)	87 367	57 447
<b>Total</b>	<b>88 076</b>	<b>(709)</b>	<b>87 367</b>	<b>57 447</b>

Amounts outstanding from clients are mainly made up of receivables in connection with:

- the sales of wind energy made at the end of the year by Natenco Gmbh with a value of 62 753 K€
- turn-key construction contract sales on behalf of third parties made by Ventura with a value of 11 007 K€.

Provisions have been established for the receivables which correspond to 100% of their gross value.

### ▪ Repayment schedule 31/12/2007

31/12/2007	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Trade accounts	87 367			87 367
Doubtful trade accounts		709		709
<b>Total financial liabilities</b>	<b>87 367</b>	<b>709</b>	<b>-</b>	<b>88 076</b>

## 17. Other current assets

	Gross value 31/12/2007	Depreciation 31/12/2007	Net value 31/12/2007	Net value 31/12/2006
Accounts payable, advances and deposits	8 779		8 779	4 509
Fixed asset receivables	-		-	-
Tax receivables (excluding CT)	21 856		21 856	10 253
Social security receivables	33		33	29
Current accounts	6 500	-	6 500	505
Miscellaneous debtors	17 030	(1 097)	15 933	3 254
Prepayments	3 891		3 891	
Unrealised foreign exchange transactions	72		72	1 690
<b>Total</b>	<b>58 161</b>	<b>(1 097)</b>	<b>57 064</b>	<b>20 240</b>

The tax receivables are made up mainly by deductible VAT which has not yet been reclaimed on sales of equipment and work on the construction of wind farms in France and Germany.

The miscellaneous debtors represent receivables held by the following contractors:

- FC Holding : 5 084 K€
- Winvest Energy (sale of a wind farm): 3 223 K€
- Valorem (sale of a wind farm): 1 047 K€

The provisions for depreciation relate to receivables from earlier periods.

## 18. Cash and cash equivalents

	31/12/2007	31/12/2006
Marketable securities (net)	160 684	11 051
Cash	165 514	54 457
<b>Total</b>	<b>326 198</b>	<b>65 508</b>

The marketable securities with a value of 156 167 K€ are held by THEOLIA SA and are completely safe investments, including in particular:

- Secure money market fund (100 % money market)
- Negotiable medium-term notes/EONIA-indexed variable rate negotiable medium-term notes
- Negotiable deposit certificates with a maximum term of 3 months with capital and rate guaranteed

The policy for managing financial risk is set out in note 4 to the financial statements.

## 19. Share capital

### ▪ Number of shares in circulation

	Nominal value (€)	Number of shares on 01/01/2007	Exercise of warrants	Take-up of bonus shares	Shares remunerating contributions	Shares issued (for cash)	Number of shares on 31/12/2007
Number of shares	1	25 403 531	1 881 958	16 000	8 280 182	3 100 000	38 681 671
<b>Number of securities</b>	<b>1</b>	<b>25 403 531</b>	<b>1 881 958</b>	<b>16 000</b>	<b>8 280 182</b>	<b>3 100 000</b>	<b>38 681 671</b>
<b>Share capital</b>		<b>25 403 531</b>	<b>1 881 958</b>	<b>16 000</b>	<b>8 280 182</b>	<b>3 100 000</b>	<b>38 681 671</b>

Including 37 776 own shares

On 31 December 2007, share capital was made up of 38 681 671 shares with a nominal value of 1 €.

The right to cast a double vote is granted to every share which has been paid up in full when evidence is provided that such share has been registered in the name of the same shareholder for two years at least, when such shareholder is French or the citizen of a Member State of the European Economic Community.

No dividend has been distributed either before or after closing.

## 20. Payments based on shares

### ▪ Summary of share warrant transactions

	Total warrants
<b>Non-exercisable warrants on 31 December 2006*</b>	<b>210 000</b>
<b>Balance on 31 December 2006</b>	<b>2 477 697</b>
Adjustment	100 000
<b>Balance on 1 January 2007</b>	<b>2 577 697</b>
Issued during the period	3 430 827
Exercised during the period	- 1 669 510
<b>Balance on 31 December 2007</b>	<b>4 339 014</b>

\* Due to non-compliance with the conditions for their exercise

The 210 000 non-exercisable warrants were warrants which were subject to specific conditions which were not fulfilled on 31 December 2006. On 31 December 2007 these warrants became definitively non-exercisable. This has had no effect on the accounts which were closed on 31 December 2007.

A fair value for the warrants is estimated on the date of their issue, using the Black and Scholes binomial model, or where necessary the model designed by J. Hull and A. White. The warrants issued during the period have been valued on the basis of the following hypotheses:



	THEOLIA	THENERGO	
Amount in euros unless otherwise stated	21.03.07	14.09.07	30.06.07
Fair value of warrant	12.72	8.84	2.97
Share price	28.00	19.17	8.90
Exercise price	15.28	12.17	8.46
Expected volatility	49.41%	40.00%	41%
Expected dividends	0%	0%	0%
Interest rate without risk	3.74%	4.08%	4.30%

The accrued expense of 7 191 K€ for the period corresponds to:

- For THEOLIA:
  - warrants issued during the period: 5 133 K€
  - warrants issued previously: 383 K€
- For THENERGO:
  - warrants issued during the first quarter: 1 675 K€

▪ **Breakdown of the warrants**

	Warrant 1	Warrant 2	Warrant 3	Warrant 4	Warrant 5	TOTAL
Subscription price	0,001	0,001	0,001	0,001	0,001	
Exercise price	2,06	2,06	2,06	2,06	2,06	
Term			5 years from subscription			
Par value	1,187	1,187	1,187	1,187	1,187	
Expired or non-exercisable during the period*	-	-	5 000	5 000	-	10 000
Balance on 31 December 2006	316 652	-	36 000	120 000	120 000	592 652
Issued during the period	-	-	-	-	-	-
Exercised during the period	54 465	-	-	84 000	-	138 465
Balance on 31 December 2007	262 187	-	36 000	36 000	120 000	454 187
Issued during the period	-	-	-	-	-	-
Exercised during the period	162 111	-	167 657	59 720	559 554	1089 042
Balance on 31 December 2007	100 076	-	198 357	36 280	64 446	400 159
Subscription price	0,000485	0,000485	0,000485	0,000485	0,000485	
Exercise price	4,85	4,85	4,85	4,85	4,85	
Term						
Par value	1,187	1,187	1,187	1,187	1,187	
Expired or non-exercisable during the period *	-	50 000	50 000	50 000	50 000	200 000
Balance on 31 December 2006	101 000	100 000	100 000	50 000	50 000	401 000
Issued during the period	-	-	-	-	-	-
Exercised during the period	101 000	100 000	-	-	-	201 000
Balance on 31 December 2007	-	-	100 000	-	-	100 000
Issued during the period	10 000	10 000	29 093	10 000	64 000	123 093
Exercised during the period	10 000	3 000	0	10 000	-	23 000
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	0	7 000	29 093	0	64 000	100 093

	Warrant JP06	Warrant LF06	Warrant NS06	Warrant SG06	Warrant SO06	TOTAL
Subscription price	0,0001	0,0001	0,0001	0,0001	0,0001	
Exercise price	15,28	15,28	15,28	15,28	15,28	
Deadline for exercise	31.05.09	19.05.09	31.05.09	16.05.09	19.05.09	
Par value	1	1	1	1	1	
Balance on 31 December 2006	-	-	-	-	-	0
Issued during the period	10 000	29 093	10 000	31 451	10 000	90544
Exercised during the period	10 000	-	10 000	-	3 000	23000
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	0	29 093	0	31 451	7 000	67544

	Warrant EP07	Warrant LF07	Warrant SO07	Warrant A SG07	Warrant GF	TOTAL
Subscription price	0,0001	0,0001	0,0001	0,0001	0,0001	
Exercise price	15,28	15,28	15,28	15,28	15,28	
Deadline for exercise	1.01.10	1.01.10	1.01.10	1.01.10	28.06.09	
Par value	1	1	1	1	1	
Balance on 31 December 2006	-	-	-	-	-	0
Issued during the period	29 093	29 093	29 093	31 451	18 000	136730
Exercised during the period	-	-	-	-	-	0
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	29 093	29 093	29 093	31 451	18 000	136730

Warrant JMS PC 800M	
Subscription price	0,0001
Exercise price	12,17
Deadline for exercise	31.12.12
Par value	1
Balance on 31 December 2006	-
Issued during the period	80 460
Exercised during the period	-
Expired or non-exercisable during the period *	-
Balance on 31 December 2006	80 460

Pursuant to the provisions of IFRS 2 relating to share-based payments, only those plans put in place after 7 November 2002 have been the subject-matter of a valuation and entered in the accounts as personnel expenses.

#### ▪ Free shares

Free shares were issued on the following dates:

- In 2005: 16 000
- On 13 October 2006: 407 500
- On 6 February 2007: 175 215

Making a total of 598 715 shares

The issues of free shares were evaluated in accordance with the share price on the issue date (12 € for the 2006 issue and 18.45 € for the February 2007 issue).

The accrued charge of 6 245 K€ for the period corresponds to:

- shares issued in 2006: 4 047 K€
- shares issued in 2007: 2 198 K€

The charge [change] which remains to be accounted for pursuant to the issue of free shares amounts to:

- for 2008: 941 K€
- for 2009: 94 K€

## 21. Financial liabilities

The various categories of financial liabilities on 31 December 2007 are as follows:

In € thousands	Note	31 Dec 2007		31 Dec 2006	
		Current	Non-current	Total	Total
Financial debts	22	90 772	458 624	549 396	127 405
Suppliers and other creditors	26	146 107	-	146 107	122 716
<b>Total</b>		<b>236 879</b>	<b>458 624</b>	<b>695 503</b>	<b>250 121</b>

All of the financial liabilities of the Group with the exception of derivatives are valued on the closing date at their depreciated cost in accordance with the applicable interest rate method.

A total charge of 13 240 K€ in respect of interest has been entered in the financial statement as financing costs.

## 22. Financial debts and derivative financial instruments

### ▪ Net indebtedness (current/ non-current)

31/12/2007	Current	Non-current	TOTAL
Loans granted by credit establishments	89 495	259 365	348 860
Convertible bond debt	816	196 195	197 011
Finance leasing debt	7	19	26
<b>Sub-total of loans</b>	<b>90 318</b>	<b>455 579</b>	<b>545 897</b>
Banking overdrafts and equivalents	278	-	278
Other financial liabilities	176	3 045	3 221
<b>Total financial liabilities</b>	<b>90 772</b>	<b>458 624</b>	<b>549 396</b>

▪ **Changes in loans and financial debts**

	Loans granted by credit establishments	Convertible bond debt	Finance leasing debt	Banking overdrafts and equivalents	Other financial liabilities	TOTAL
<b>Values at the beginning of period on 01/01/2007</b>	<b>116 506</b>	<b>1 300</b>	<b>2 790</b>	<b>2 367</b>	<b>4 442</b>	<b>127 405</b>
Increase	71 769	235 314	891	-	1 910	<b>309 884</b>
Repayment	(19 714)	(1 372)	-	(887)	(1 731)	<b>(23 704)</b>
Consolidation of companies	183 834	-	-	6	1	<b>183 841</b>
Changes to accounting methods	(3 520)	-	(3 656)	(1 208)	(1 496)	<b>(9 880)</b>
Reclassification of the option as shareholders' equity		(38 231)				<b>(38 231)</b>
Other changes	(15)	-	-	-	89	<b>74</b>
<b>Values at closing on 31/12/2007</b>	<b>348 860</b>	<b>197 011</b>	<b>26</b>	<b>278</b>	<b>3 220</b>	<b>549 395</b>

The increase in financial debt of 309 884 K€ was mainly due to the following transactions:

- the drawdown of loans in the context of financing wind power stations under construction:	50 559 K€
- the drawdown of loans in the context of financing wind farm sales:	9 841 K€
- the drawdown of loans in the context of financing non-wind (solar) activities:	10 508 K€
- the issue of convertible bonds loan:	235 314 K€

The repayments over the period were made pursuant to:

- the bond loan issued by THERBIO:	1 372 K€
- the loans taken out in connection with the wind farms:	18 574 K€
- the loans taken out in connection with non-wind activities:	1 139 K€

The loans taken out in connection with the financing of the construction of wind farms (in France) are subject to an obligation to respect a ratio of the operational cash flow/loan maturity type. At the closure of the period, the Group was complying with its obligations in this respect.

The other repayments correspond to decreases in the current accounts.

The transactions by which operational wind power stations were acquired in Germany resulted in an increase of 176 416 K€ in the financial debt which appears on the balance sheet.

The transactions by which wind power stations under construction were acquired (in Italy) resulted in an increase of 7 418 K€ in the financial debt which appears on the balance sheet.

The changes to accounting methods affect THENERGO (the equity method from 14 June 2007).

▪ **Analysis according to interest rate**

	31/12/2007	31/12/2006
Fixed rate	435 858	42 706
Variable rate	113 537	84 700
<b>TOTAL</b>	<b>549 395</b>	<b>127 406</b>

▪ **Analysis according to due date**

	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Loans granted by credit establishments	89 495	106 620	152 745	348 860
Convertible bond debt	816	-	196 195	197 011
Finance leasing debt	7	19	-	26
<b>Sub-total of loans</b>	<b>90 318</b>	<b>106 639</b>	<b>348 940</b>	<b>545 897</b>
Banking overdrafts and equivalents	278	-	-	278
Other financial liabilities	176	-	3 045	3 221
<b>Total financial liabilities</b>	<b>90 772</b>	<b>106 639</b>	<b>351 985</b>	<b>549 396</b>

**Convertible loan**

The convertible loan of the OCEANE type was issued at the end of October 2007 with the following terms:

Number of bonds:	11 538 462
Amount of the initial issue:	190 000 000 €
Extension clause:	25 000 000 €
Over-allocation option:	25 000 000 €
Amount repayable on 1 January 2014 (if conversion does not take place):	260 111 549 €
Term of the bonds:	from 30 October 2007 to 1 January 2014
Annual interest:	2.00%
Yield to maturity	3.25%

The breakdown between the debt instrument and shareholders' equity was carried out applying a market rate including a spread of 200 base points, on the basis of a sample of undertakings which themselves had entered into equivalent financial transactions.

Amount repayable:

The Group has the option of redeeming the bonds early at its own discretion from 1 January 2012.

Year	Amount repayable	No of securities	Value per unit
On 01/01/2014	260 111 549	11 538 462	22,5430
On 01/01/2012	253 151 549	11 538 462	21,9398

The application of the Effective Interest Rate requires the entering of a supplementary charge in the accounts, which is presented as follows:

Year	interest at a rate of 2 %	interest at the Effective Interest	supplement of
2008	4 813 151	13 898 668	9 085 517
2009	4 800 000	14 506 085	9 706 085
2010	4 800 000	15 195 559	10 395 558
2011	4 800 000	15 934 009	11 134 009
2012	4 813 151	16 770 737	11 957 586
2013	4 800 000	17 574 325	12 774 324
2014	13 151	50 628	37 477

Taking into account issue costs amounting to 6 632 K€, the effective interest rate amounts to 7.10 % and the breakdown is as follows:

-	shareholders' equity element:	26 502 K€
-	debt element (net of the call and the put):	193 617 K€
-	deferred taxes:	13 249 K€

The put option envisaged by this agreement is exercisable in 2013.

#### ▪ Derivative financial instruments

Derivative instruments put in place in order to manage the interest rate risk inherent in loans with variable interest rates are entered in the accounts at a fair value on 31 December 2007 and included in the financial statements.

Such interest rate swaps on 31 December 2007 are valued in the accounts at 1 128 K€ (on 31 December 2006: 798 K€).

## 23. Information on the fair value of financial assets and liabilities

In accordance with the provisions of IFRS 7, the fair value of financial assets and liabilities, as well as their accounting value on the balance sheet, is summarised in the table below.

in K€	31/12/2007		31/12/2006	
	Accounting value	Fair value	Accounting value	Fair value
<b>ASSETS</b>				
Assets at depreciated cost				
Clients and other debtors	87 367	87 367	57 447	57 447
Other non-current financial assets	44 030	44 030	20 833	20 833
Negative fair value of hedging derivatives	1 127	1 127	798	798
Cash and cash equivalents	326 199	326 199	65 509	65 509
<b>LIABILITIES</b>				
Liabilities at depreciated cost				
Financial debts	549 118	549 118	125 038	125 038
Banking overdrafts and equivalents	278	278	2 367	2 367
Suppliers and other creditors	146 108	146 108	122 716	122 716

## 24. Provisions for employee benefits

### ▪ Elements of the charge for the period

	31/12/2007	31/12/2006
Pension costs	108	112

### ▪ Changes to the provision

	31/12/2007	31/12/2006
Provision at the opening of the period	142	30
Charge for the year	108	112
Payments or contributions by the employer		
Consolidation of companies	1	
Provision on closing	251	142

▪ **Main actuarial hypotheses**

	31/12/2007	31/12/2006
Discount rate	4.75%	4.00%
Increase in management salaries	3.00%	5.00%
Increase in non-management salaries	2.00%	5.00%
Mortality table	TGH 05 and TGF 05	INSEE 2000
Retirement age	65 years	65 years

It should be noted that the actuarial gains and losses are not significant.

## 25. Other provisions

	Provision for disputes	Provision for cash instruments	Other provisions	TOTAL
<b>Value at the opening of the period on 01/01/2007</b>	<b>326</b>	<b>-</b>	<b>398</b>	<b>724</b>
				-
Allocations	471	-	167	638
Reversals	(188)	-	(38)	(226)
Consolidation of companies	-	-	60	60
Conversion rate adjustment	-	-	-	-
Other changes	-	-	(96)	(96)
<b>Values at closing on 31/12/2007</b>	<b>609</b>	<b>-</b>	<b>491</b>	<b>1 100</b>
Including the current element	376	-	60	436
Including the non-current element	233	-	431	664

The allocations of 391 K€ for the period relate to salary disputes. The balance of 80 K€ corresponds to supplementary provision for post-closing losses on non-wind markets.

Other allocations mainly relate to provisions for the renewal of non-tangible assets pursuant to concession arrangements (non-wind activity).

The reversals mainly relate to provisions for post-closing losses on non-wind markets.

## 26. Trade payables and other creditors

	31/12/2007	31/12/2006
Advances and instalments received	1 034	13 727
Suppliers	106 088	53 622
Other	38 986	55 367
<b>Total</b>	<b>146 108</b>	<b>122 716</b>

The debts owed to suppliers are connected with the construction/sale of wind farms and amount to 87 291 K€, which is possible to break down as follows:



- France:	20 499 K€
- Germany:	62 339 K€
- Rest of world:	4 453 K€

The other debts mainly relate to the following transactions:

- Debts on the acquisition of companies (Germany):	21 525 K€
- Debts on the acquisition of companies (Spain):	4 005 K€
- Debts on the acquisition of companies (France):	3 259 K€

	31/12/2007	31/12/2006
Social security liabilities	1 664	1 106
Tax liabilities	27 303	14 943
<b>Total</b>	<b>28 967</b>	<b>16 049</b>

The tax liabilities are constituted mainly by the VAT collected on sales made during the period.

## 27. Businessline information

### ▪ Breakdown by sector

The Group is active in the so-called wind sectors:

- the construction of installations producing electricity from wind, on behalf of third parties or the Group. This activity includes "development"; and
- the operation of wind farms;

and in the non-wind sector in the following other activities:

- the production of electricity using biomass and cogeneration techniques;
- the production of electricity from peaking power stations; and
- the processing of waste, the measurement of air quality and the processing of sludge.

The activity of Natenco is strongly characterised by seasonality. In fact potential clients benefit from tax breaks and therefore have an interest in investing towards the end of the tax year. Therefore the first three quarters are rather dedicated to the search for deals and clients, with the last quarter accounting for almost all of the sale transactions and therefore turnover.

The turnover of THENERGO at 835 K€ includes an engineering service sold to a non-group company which supplied a turn-key factory, including these services, to a Company of the THENERGO Group.

The comparative data presented below corresponds on the balance sheet but also on the income statement to the accounts on 31 December 2006.

The data on the income statement presents separately from 2007 the expenses incurred by the holding Company. These expenses were previously distributed on a flat rate basis between the three sectors of activity. The comparative data have as a result been restated.

31/12/2007 (in thousands of euros with the exception of personnel)

Income statement	Wind construction and sales	Sale of wind electricity	Non-wind activities	Holding company	Inter-sector eliminations	Total
Turnover	249 321	53 912	34 234	5 589		343 057
Inter-activity sales	(30 899)	-	(88)	(5 589)		(36 576)
<b>Total</b>	<b>218 422</b>	<b>53 912</b>	<b>34 146</b>	<b>-</b>		<b>306 481</b>
<b>Current operating income</b>	<b>11 073</b>	<b>6 390</b>	<b>(5 573)</b>	<b>(15 141)</b>	<b>0</b>	<b>(3 250)</b>
Other non-current operating income and expenses	181	123	(1 817)	22 526	-	21 014
Goodwill impairment				(56 490)		(56 490)
<b>Operating income</b>	<b>11 254</b>	<b>6 513</b>	<b>(7 389)</b>	<b>(49 105)</b>	<b>0</b>	<b>(38 726)</b>
Portion of income attributable to associates	-	(4)	593	-		589

  

Balance sheet						
<b>Non-current assets</b>	<b>170 185</b>	<b>415 705</b>	<b>104 563</b>	<b>(45 282)</b>	<b>-</b>	<b>645 169</b>
<i>including non-allocated non-current assets</i>	<i>20 942</i>	<i>(2 001)</i>	<i>78 989</i>	<i>10 812</i>		<i>108 741</i>
<b>Current assets</b>	<b>260 312</b>	<b>62 347</b>	<b>16 408</b>	<b>175 752</b>		<b>514 824</b>
<i>including non-allocated current assets</i>		-	-	-		-
<b>Total consolidated assets</b>	<b>430 498</b>	<b>478 052</b>	<b>120 972</b>	<b>130 470</b>	<b>-</b>	<b>1 159 994</b>
<b>Non-current liabilities</b>	<b>33 407</b>	<b>233 507</b>	<b>7 474</b>	<b>203 320</b>	<b>-</b>	<b>477 707</b>
<i>including non-allocated non-current liabilities</i>	<i>33 374</i>	<i>233 242</i>	<i>6 868</i>	<i>203 308</i>		<i>476 792</i>
<b>Current liabilities</b>	<b>176 729</b>	<b>62 990</b>	<b>21 964</b>	<b>17 534</b>		<b>279 216</b>
<i>including non-allocated current liabilities</i>	<i>61 009</i>	<i>27 824</i>	<i>1 121</i>	<i>818</i>		<i>90 772</i>
<b>Total consolidated liabilities</b>	<b>210 136</b>	<b>296 496</b>	<b>29 438</b>	<b>220 854</b>	<b>-</b>	<b>756 923</b>

  

Other information						
Acquisition of tangible and intangible assets	11 999	38 040	698	169		50 906
Personnel at the end of the period	115	-	92	30		237

## Notes on the income statement

### The construction and sale of wind farms

The "construction/sale of wind farms" sector of activity has generated turnover of 249 321 K€, compared to 56 888 K€ on 31 December 2006 (18 months)

This turnover is distributed between:

- Ventura SA 47 579 K€
- Natenco GmbH 201 742 K€

This increase is mainly explained by:

- the full year effect of the consolidation of the German subsidiary Natenco; and
- the increase in the sale of farms achieved by Natenco and Ventura.

Current earnings before income and tax amount to 11 073 K€ and are generated mainly from the increase in sales which has made it possible to generate greater margins than in the previous year.

### The sale of electricity produced from wind energy

Turnover in the sale of electricity produced from wind energy amounts to 53 912 K€, compared to 5 935 K€ on 31 December 2006 (18 months).

This significant increase is explained by the following factors:

- The commissioning during the period of wind farms developed by the Group in France (35.50 MW)	1 213 K€
- The full-year effect of the wind farms developed by the Group in France and commissioned in 2006 (19 MW)	3 431 K€
- The consolidation in a full year of the wind farms acquired the previous year	8 175 K€
- The consolidation in a full year of Natenco GmbH	27 693 K€
- The acquisition of wind farms during the period in the context of the contribution made by GE Energy Financial Services (165 MW+1.50 MW commissioned after the acquisition)	13 398 K€

#### Non-wind activities

Non-wind activities generated a turnover of 34 234 K€ compared to 14 974 K€ on 31 December 2006 (18 months).

This change is explained by the following factors in particular:

- The sale of a photovoltaic farm in Germany	14 400 K€
- The full-year effect of the consolidation of SERES Environnement alongside an increase in its activities	4 004 K€

The change in the consolidation method applicable to Thenergo (full consolidation over 6 months) alongside the increase in activity has had an impact on turnover amounting to 2 676 K€ (7 324 – 4 648).

The current operating income takes account of a provision for depreciation amounting to 3 832 K€ in connection with the Buchen project.

#### "Holding company" activity:

The "holding" sector consolidates the following entities:

- THEOLIA SA
- THEOLIA Iberica
- TEM

Turnover is made up of management fees which are invoiced back to the subsidiaries by THEOLIA, which constitute inter-sector income.

The current operating income amounts to (15 141) K€, including (14 685) K€ associated with THEOLIA.

Charges in the holding sector correspond to the following activities:

- The general administration of the Group (strategy)
- Relations with the stock markets and investors
- Transactions to further external growth
- The procuring of financing through approaches to the market

Share-based payments to the Board Members of THEOLIA amount to (4 803) K€.

Other operating income and expenses amounting to 22 526 K€ correspond to a dilution profit following the listing of Thenergo on Alternext for 22 981 K€.

The dilution profit appears in the Holding Company sector as it results from financial engineering and does not account for the activities in the non-wind sector.

The loss of value on goodwill linked to the contribution of the wind farms, namely (56 490) K€ is allocated to the "Holding Company" sector.

### Notes on the balance sheet

#### The construction/sale of wind farms

This sector consolidates the assets of the companies which sell the farms as well as the assets of the companies which support the development and construction programme.

Non-current assets are therefore made up of:

- Goodwill	93 577 K€
- Projects in progress	55 667 K€

The goodwill is attributable mainly to Natenco GmbH with a value of 75 925 K€.

Current assets include in particular:

- Inventories of projects in progress	39 690 K€
- Trade accounts	71 581 K€
- Cash	115 432 K€

The cash position as well as the trade accounts are principally from the sale of wind farms in Germany.

Liabilities are principally made up of loans earmarked for the financing of this sector's activities, that is to say 91 212 K€, as well as debts of 79 880 K€ owed to suppliers and other creditors.

#### The sale of electricity produced from wind energy

This sector consolidates the assets of the operational wind farms.

Non-current assets are therefore made up of:

- Goodwill	45 647 K€
- Wind farms	315 570 K€

The goodwill is attributable mainly to the acquisition of the following wind farms:

- The wind farms contributed by General Electric	32 146 K€
- The Windwin wind farm	12 680 K€

Current assets are comprised in particular of 30 607 K€ of cash generated by electricity production activities.

Liabilities are principally comprised of the loans earmarked for financing the construction of wind farms. At the end of the period they amounted to 253 110 K€.

The debts owed to suppliers and other creditors amount to 32 353 K€. They comprise in particular 20 530 K€ following the acquisition of the Windwin wind farm.

#### Non-wind activities

This sector consolidates the assets of the companies which are engaged in non-wind activities.

The non-current assets are principally comprised of the waste treatment plant in Beaucaire with a value of 16 484 K€.

Non-allocated non-current assets include the securities accounted for the by equity method (Thenergo and Ecolution) with a value of 63277K€.

Liabilities are principally comprised of the loans earmarked for financing the construction of the waste treatment plant, that is to say 6 361 K€, and the debts of 18 924 K€ payable to suppliers and other creditors.

#### Holding company activities

Assets are principally comprised of the cash generated by the issue of the convertible OCEANE bonds in particular, that is to say 174 103 K€.

Non-current financial liabilities are comprised of the convertible OCEANE bonds, that is to say 196 268 K€.

Current liabilities are comprised in particular of the debts owed to suppliers and other creditors, that is to say 14 950 K€.

**31/12/2006** (in thousands of Euros with the exception of personnel)

Income statement	Wind construction and sales	Sale of wind electricity	Non-wind activities	Holding company	Total
Sales	56 888	5 935	14 974	355	<b>78 152</b>
Inter-activity sales	(3 829)	(2 663)	(320)	(354)	<b>(7 166)</b>
<b>Total</b>	<b>53 059</b>	<b>3 273</b>	<b>14 655</b>	<b>0</b>	<b>70 986</b>
Current operating income	1 852	(2 796)	(5 426)	(0)	<b>(6 370)</b>
Other operating income and expenses	(430)	(476)	(661)	(0)	<b>(1 568)</b>
<b>Operating income</b>	<b>1 421</b>	<b>(3 273)</b>	<b>(6 087)</b>	<b>0</b>	<b>(7 938)</b>
<b>Net income</b>	<b>1 691</b>	<b>(1 911)</b>	<b>(3 954)</b>	<b>0</b>	<b>(4 174)</b>
Portion of income attributable to associates	-	(7)	69	-	<b>62</b>
<b>Balance sheet</b>					
<b>Non-current assets</b>	<b>117 594</b>	<b>128 695</b>	<b>52 367</b>	<b>0</b>	<b>298 656</b>
<i>including non-allocated non-current assets</i>	<i>18 811</i>	<i>4 008</i>	<i>2 528</i>		<i>25 347</i>
<b>Current assets</b>	<b>100 513</b>	<b>37 219</b>	<b>15 947</b>	<b>(0)</b>	<b>153 679</b>
<i>including non-allocated current assets</i>	<i>-</i>	<i>-</i>	<i>-</i>		<i>-</i>
<b>Total consolidated assets</b>	<b>218 107</b>	<b>165 914</b>	<b>68 314</b>	<b>(0)</b>	<b>452 335</b>
<b>Non-current liabilities</b>	<b>10 714</b>	<b>66 179</b>	<b>16 840</b>	<b>-</b>	<b>93 733</b>
<i>including non-allocated non-current liabilities</i>	<i>7 646</i>	<i>65 972</i>	<i>16 294</i>		<i>89 912</i>
<b>Current liabilities</b>	<b>123 063</b>	<b>40 446</b>	<b>23 673</b>	<b>0</b>	<b>187 180</b>
<i>including non-allocated current liabilities</i>	<i>31 915</i>	<i>8 152</i>	<i>4 306</i>		<i>44 373</i>
<b>Total consolidated liabilities</b>	<b>133 777</b>	<b>106 625</b>	<b>40 512</b>	<b>0</b>	<b>280 913</b>
<b>Other information</b>					
Acquisition of tangible and intangible assets	310	40 842	12 600	0	<b>53 752</b>
Average personnel (FTE)	65	7	99		<b>172</b>

#### ▪ Distribution by geographical zone

31/12/2007 (in thousands of Euro )

	France	Germany	Rest of world	Inter-sector eliminations	Total
Sales	39 075	263 147	7 413		309 636
Inter-country sales	(3 155)	-	-	-	(3 155)
<b>Total</b>	<b>35 920</b>	<b>263 147</b>	<b>7 413</b>	<b>-</b>	<b>306 481</b>
Current operating income	(24 041)	22 264	(1 474)	-	(3 250)
Other operating income and expenses	22 776	-	(1 763)	-	21 014
Goodwill impairment	(56 490)				(56 490)
<b>Operating income</b>	<b>(57 755)</b>	<b>22 264</b>	<b>(3 237)</b>	<b>-</b>	<b>(38 726)</b>
Portion of income attributable to associates		(4)	593	-	589

#### Consolidated Balance Sheet

<b>Non-current assets</b>	<b>125 283</b>	<b>412 611</b>	<b>107 275</b>	<b>-</b>	<b>645 169</b>
<i>including investments</i>	111 296	249 311	31 304		391 910
<i>including non-allocated non-current assets</i>	2 007	42 548	64 186	-	108 741
<b>Current assets</b>	<b>252 886</b>	<b>249 583</b>	<b>12 354</b>		<b>514 824</b>
<i>including non-allocated current assets</i>	-	-	-		-
<b>Total consolidated assets</b>	<b>378 170</b>	<b>662 194</b>	<b>119 629</b>	<b>-</b>	<b>1 159 994</b>

31/12/2006 (in thousands of Euro)

	France	Germany	Rest of world	Total
Sales	14 161	51 497	5 327	70 986
<b>Total</b>	<b>14 161</b>	<b>51 497</b>	<b>5 327</b>	<b>70 986</b>

#### Consolidated Balance Sheet

<b>Non-current assets</b>	<b>226 844</b>	<b>43 047</b>	<b>28 765</b>	<b>298 655</b>
<i>including investments</i>	(39 920)	(7 779)	(5 232)	(52 930)
<i>including non-allocated non-current assets</i>	9 267	19 448	2 308	31 022
<b>Current assets</b>	<b>50 053</b>	<b>96 284</b>	<b>7 342</b>	<b>153 678</b>
<i>including non-allocated current assets</i>	-	-	-	-
<b>Total consolidated assets</b>	<b>276 897</b>	<b>139 331</b>	<b>36 106</b>	<b>452 333</b>

## 28. Other operating income and expenses

	31/12/2007	31/12/2006
Share-based payments (allocation of warrants)	(4 803)	(2 337)
Capital losses on the sale of capital assets		415
Income from ordinary activities	2 191	1 026
Other operating income and expenses	1 345	752
<b>Total</b>	<b>(1 267)</b>	<b>(145)</b>

Other operating income and expenses include the gain realised on the sale of certain wind farms.

## 29. Personnel expenses

	31/12/2007	31/12/2006
Remuneration of personnel	12 787	6 437
Pension and social security expenses	3 630	2 340
Share issues and profit-sharing	-	-
Other employee benefits (IAS 19) and share-based payments (IFRS 2)	6 996	1 216
<b>Total personnel expenses</b>	<b>23 413</b>	<b>9 993</b>

## 30. Other non-current operating income and expenses

	31/12/2007	31/12/2006
Transaction penalties		166
Disputes	(112)	1 271
Dilution profit (Thenergo)	22 981	
Impact of the changes in accounting methods	74	
Other operating income and expenses	(1 929)	131
<b>Total</b>	<b>21 014</b>	<b>1 568</b>

### 31. Net financial result

#### ▪ Analysis of the item

Income from cash and cash equivalents	31/12/2007	31/12/2006
Income from interest generated on cash and cash equivalents	518	9
Income from the sale of cash equivalents	1 524	686
Other income	1 112	15
<b>Total</b>	<b>3 154</b>	<b>710</b>

Cost of gross financial debt	31/12/2007	31/12/2006
Interest costs on financing transactions	(13 240)	(1 198)
Effect of accretion		
Gains and losses linked to the extinction of debts		
<b>Total</b>	<b>(13 240)</b>	<b>(1 198)</b>
<b>Cost of net financial debt</b>	<b>(10 086)</b>	<b>(488)</b>

The interest payable pursuant to the OCEANE bond issue is 2 336 K€ for the two relevant months. Other financial income of 1 112 K€ was generated from the investment of the funds received in the context of the issue of the OCEANE bonds.

#### ▪ Breakdown of other financial income and expenses

	31/12/2007	31/12/2006
Change in the fair value of the financial instruments	277	888
Reversal of provisions	-	60
Changes in exchange rate	213	(8)
Net costs on the sale of marketable securities	(33)	
Other financial charges and income	1 688	119
<b>Other financial income and expenses</b>	<b>2 145</b>	<b>1 060</b>

### 32. Taxes on earnings

#### ▪ Analysis of tax expense

<i>in thousands of Euro</i>	31/12/2007	31/12/2006
Corporation tax payable	(6 230)	(3 480)
Deferred taxes (income)	3 503	6 611
<b>Total</b>	<b>(2 727)</b>	<b>3 131</b>

Corporation tax affects principally those companies based in Germany (in particular Natenco GmbH in the sum of 5 638 K€).



▪ Tax proof

Designation	31/12/2007	31/12/2006
Net profit of consolidated Group before tax	(46 078)	(7 304)
Theoretical rate of tax applicable	33,33%	33,33%
Theoretical tax expense	15 358	2 434
Tax expense in accounts	(2 729)	3 130
<b>Tax differential</b>	<b>(18 087)</b>	<b>697</b>
<b>Reconciling elements:</b>		
Permanent differences	(50)	(86)
Profits taxed at a reduced rate	-	(40)
Badwill on acquisitions	(5)	(133)
Share-based payments (IFRS2)	(3 932)	1 184
Dilution profit	7 660	
Off-set fiscal deficits		
Exchange differences	(55)	
Rate differential France / Abroad	(2 577)	
Loss of value on goodwill	(18 828)	
Non-off-set fiscal deficits	(335)	(228)
Other	35	
<b>Total</b>	<b>(18 087)</b>	<b>697</b>

▪ Nature of deferred taxes

Assets

<i>in thousands of Euro</i>	31/12/2007	31/12/2006
Intangible assets	(788)	(510)
Internal margin eliminations	(98)	2 683
Internal transfer eliminations	2 962	
Accelerated depreciations	1 311	
Adjustment to term of depreciation	(1 547)	
Provisions for pension liabilities	10	47
Financial instruments	(95)	(266)
Tax deferrals	(530)	7 101
Other assets	206	(2)
<b>Total</b>	<b>1 431</b>	<b>9 053</b>

Liabilities

<i>In thousands of Euro</i>	31/12/2007	31/12/2006
Intangible assets	9 105	9 464
Accelerated depreciations	7 987	66
Adjustment to term of depreciation	180	196
Provisions for pension liabilities	(84)	
Internal margin eliminations	(2 289)	
Financial instruments	13 267	
Tax deferrals	(10 000)	
Other liabilities	1	375
<b>Total</b>	<b>18 168</b>	<b>10 101</b>

▪ Use of deficits

	31/12/2006	New deficits generated	Impact of rate change	Other	31/12/2007
Deferred taxes which may be off-set against deficits	7 101	2 477	(108)		9 470
<b>Recognised deferred tax assets</b>	<b>7 101</b>	<b>2 477</b>	<b>(108)</b>	-	<b>9 470</b>

▪ Tax assets which do not appear in the accounts

<i>in thousands of Euro</i>	31/12/2007	31/12/2006
Without limit	(335)	(228)
<b>Total</b>	<b>(335)</b>	<b>(228)</b>

### 33. Earnings per share

Designation	31/12/2007	31/12/2006
Earnings payable to the shareholders of the company (in 1,000s of Euro)	(48 262)	(4 414)
Weighted average number of shares in circulation (in 1,000s)	34 190	15 621
<b>Basic earnings per share (in euros)</b>	<b>(1,41)</b>	<b>(0,28)</b>
Earnings payable to the shareholders of the company (in 1,000s of Euro)	(48 262)	(4 414)
Weighted average number of shares in circulation	34 190	15 621
Adjustments linked to warrants	4 914	2 955
Convertible bonds	11 538	
Adjustments linked to allocated free shares	576	
Weighted average number of ordinary shares in circulation	51 219	18 576
<b>Diluted earnings per share (in Euro)</b>	<b>(0,94)</b>	<b>(0,24)</b>

### 34. Associated parties

▪ Associates

Associates are companies over which the Group may exercise a significant influence and which are included in the accounts on the basis of the equity method, as well as those companies which are viewed as associated parties, in particular FC Holding. The transactions entered into with these companies are set out in the table below. No transaction has been recorded with those companies which are included in the accounts in accordance with the equity method.

in thousands of Euro	31/12/2007	31/12/2006
Operating income		-
Operating expenses	9 068	-

in thousands of Euro	31/12/2007	31/12/2006
Operational receivables	5 083	-
Operational debts		-

#### ▪ **Directors' remuneration**

The remuneration of directors who have a technical function within the Company is set out below.

in thousands of Euro	31/12/2007	31/12/2006
- short-term benefits	2 455	1 082
- post-employment benefits	-	-
- compensation upon termination of employment contract	-	-
- share-based payments	5 255	788
	<b>7 710</b>	<b>1 870</b>

The amount of attendance fees paid to the members of the Board of Directors of THEOLIA was 118 K€ (80 K€ in 2006).

### **35. Possible commitments, liabilities and assets**

#### **A – Commitments given by THEOLIA SA**

##### **• Take-over of the SERES fund**

In its capacity as transferee in the judgement ordering the total transfer of SERES, THEOLIA shall continue to guarantee the execution of the plan to sell SERES. In particular it has undertaken to contribute the sum of 2 500 K€ and shall be obliged to honour this undertaking in the event of the default of SAS SERES Env. This undertaking has a term of two years and shall come to an end on 06/07/2008.

##### **• Financing of wind activities**

The Company on 16 May 2005 entered into a memorandum of agreement with the minority shareholders of SA Ventura, which was modified by schedules dated 30 June 2005, 12 May 2006 and 30 April 2007. This memorandum establishes the principles of the collaboration between THEOLIA and its subsidiary. The main features of this collaboration are as follows:

All of the wind energy projects of the Group, including any current or future acquisition projects, shall be developed and constructed by SA Ventura, subject to the limits imposed by the business plan which is prepared each year. To this end Ventura shall prepare each year with the assistance of THEOLIA a business plan setting out the number and the scope of the projects envisaged and determining the corresponding amount of own funds to be contributed by THEOLIA.

THEOLIA SA undertakes to contribute the funds to its subsidiary which are necessary in order to finance its wind activities (within the scope of the conditions defined by the agreement).

For each wind farm project envisaged in the context of the business plan referred to above, a special purpose simplified joint stock company shall be incorporated, in which the shares shall be held either directly or through a holding company by Ventura SA (80%) and by Messrs Guyot, Bouffard and De Saint Jouan (minority shareholders on 31/12/2007) (20%).

- **Support and development of the activities of Ecoval Technology**

In the context of its support for the development of the activities of Ecoval Technology, THEOLIA has provided a guarantee to the BFCC for a maximum total sum of 140 000 €.

- **First demand guarantee in the context of the financing of CEPLO, CEMDF, CESAL, CERON and CELGC**

In order to put in place the five separate financing structures for the five wind farms to be built and operated by the companies Centrale Éolienne des Plos ("CEPLO"), Centrale Éolienne du Moulin de Froidure ("CEMDF"), Centrale Éolienne de Sallen ("CESAL"), Centrale Éolienne du plateau de Ronchois ("CERON") and Centrale Éolienne du Grand Camp ("CELGC") respectively, negotiations in relation to loan agreements have taken place between THEOLIA and Société Générale.

During these negotiations, in order to hedge the variable interest rate risk to which these agreements are exposed, interest rate swap agreements have been put in place between each operating company and Société Générale [see note above].

In this regard THEOLIA has given Société Générale a guarantee in relation to the undertakings of the relevant operating company pursuant to each swap agreement. This unconditional first demand guarantee shall expire on the date on which the loan agreement on which the swap agreement is based enters to force or by default on 31 December 2009.

The grant of this guarantee was approved by a resolution of the Board of Directors of THEOLIA on 14 May 2007.

As the financing structures for CEPLO and CEMDF have now been put in place, the guarantee is no longer in force in connection with these two companies.

However the guarantee in respect of the commitments of CESAL, CERON and CELGC remain in force as the financing structures have not yet been definitively put in place for these three companies.

Nonetheless the financing agreement for CESAL has been signed and shall enter into force following compliance with the final conditions precedent, which should take place in the coming days, on which date the guarantee in respect of the commitments of CESAL shall be terminated.

- **Undertakings in the context of the "THEOWATT" financing framework agreement**

In the context of the putting in place of the five separate financing structures for the five wind farms to be built and operated by the companies Centrale Éolienne des Plos (« CEPLO »), Centrale Éolienne du Moulin de Froidure (« CEMDF »), Centrale Éolienne de Sallen (« CESAL »), Centrale Éolienne du plateau de Ronchois (« CERON ») et Centrale Éolienne du Grand Camp (« CELGC ») respectively, and together with CEPLO, CEMDF, CESAL and CERON the "Potential Borrowers"), a framework agreement was approved by a resolution of the Board of Directors of THEOLIA on 31 May 2007.

This framework agreement envisages in particular and in certain circumstances that:

after the First Drawdown Date, THEOLIA undertakes jointly and severally with Théowatt and Théolia France to increase the share capital of each Potential Borrower or to grant to each Potential Borrower a shareholder loan in accordance with the conditions set out in the framework agreement (the "Basic Contribution") equivalent to a sum which shall be a function of the total of the costs associated with the design, commissioning and commercial exploitation of the wind farm in question;

after the First Drawdown Date, THEOLIA undertakes jointly and severally with Théowatt and Théolia France to increase the share capital of each Potential Borrower or to grant to each Potential Borrower a shareholder loan in accordance with the conditions set out in the framework agreement (the "Additional Contribution"), the amount of which is set out in the framework agreement.

The framework agreement also stipulates that:

THEOLIA shall give a guarantee to the Financial Parties subject to the conditions set out in the framework agreement, jointly and severally with each of the Potential Borrowers, in respect of the "VAT Guarantee Obligations" affecting it;

the VAT Guarantee Obligations refer specifically to the obligations to make payments and repayments incumbent upon each of the Potential Borrowers pursuant to the Revolving Credit Facility.

The framework agreement also stipulates that:

THEOLIA undertakes jointly and severally with Théowatt and Théolia France to pay to the facility agent, acting on behalf of the banks, a sum equal to the sum of any Additional Contribution due and unpaid in accordance with the framework agreement, within 3 (three) working days following the date on which such notice of compulsory prepayment is received by THEOLIA if certain conditions are complied with, and in particular if THEOLIA does not comply with its payment obligations pursuant to the framework agreement

- **Co-operation agreement with General Electric**

In the context of the co-operation agreement concluded between General Electric and THEOLIA, THEOLIA has undertaken to give General Electric first refusal on all wind farms which THEOLIA considers selling.

Moreover THEOLIA has undertaken to offer General Electric the opportunity to participate in all financings which require that a debt be incurred with a third party.

- **Development premium in the context of the acquisition of Maestrale**

In the context of the acquisition of Maestrale, THEOLIA has signed remuneration agreements in the event of the success of development projects. These success fee agreements stipulate the payment of a fee when the various permits are definitively obtained.

The accounting treatment applied will depend on the state of advancement of the relevant projects on the closing date.

Whenever the state of advancement of the project does not make it possible to guarantee its proper conclusion, no liability shall be declared or entered in the accounts.

When it becomes probable, in light of the advancement of the project, that the remuneration will be paid, the possible corresponding liability shall be inserted in the annex.

On 31 December 2007 the possible liabilities associated with this agreement amount to 1 500 K€ pursuant to the Martignano project.

## **B - Undertakings given by the subsidiaries**

- **Undertakings given by Theowatt**

On the occasion of the financing of the MDF, RON, LGC, SAL and PLO projects, TW granted the following guarantees:

A pledge of its bank accounts by a deed dated 21/06/07

A pledge of the shares held in the companies MDF, RON, LGC, SAL and PLO by a deed dated 21/06/07.

- **Undertakings of the Therbio sub-group**

By way of a guarantee for the loans granted to Ecoval 30 in the context of the financing of the construction of the Beaucaire factory, the following undertaking was given:

*“With the consent of the municipal consortium, ECOVAL 30 assigns and mortgages specifically to the bank, which accepts the right to an administrative perpetual lease over the land situated on the municipality of BEAUCAIRE as well as over all of the buildings which have been or will be constructed, improvements and fixtures, it being specified in this regard that all of the equipment which is being used and will be used to operate its business is acknowledged by the borrower to be a fixture.”*

#### ▪ **Undertakings of Ecoval Technology**

The Company is engaged in the creation of various units for the processing of waste water and in particular in the municipality of Cabriès in the *département* of Bouches du Rhône.

#### ▪ **Undertakings of Natenco GmbH**

In the context of its activities Natenco has pledged to various banks a certain number of accounts opened on their books with a view to guaranteeing the costs which could arise when certain wind farms are dismantled. The total of these pledges amounts to 3 297 K€ on 31 December 2007.

#### ▪ **Undertakings of THEOLIA Iberica**

THEOLIA Iberica signed with its subsidiary ASSET Electrica, of which it owns 50%, a loan agreement pursuant to which it undertakes to make available to it total financing of 7 000 000 € in the context of the financing of the construction of the electric line.

The sum made available to ASSET Electrica amounts to 6 877 K€ on 31 December 2007. The total of the off-balance sheet commitments of THEOLIA Iberica therefore amounts to 123 K€.

#### ▪ **ASSET Electrica**

The Company has undertaken to construct a 132 KV electric line of an approximate length of 30 kilometres from the Carboneras source sub-station to the network.

The operation is scheduled to be carried out in July 2008. The principal sub-contractor for this operation is the Company Juan Galindo, S.L.

### **C - Undertakings given after closing**

#### ▪ **Unconditional and irrevocable price refund guarantee in the context of the sale of a wind farm**

At the meeting of the Board of Directors on 8 January 2008, and in the context of the same of a wind farm with a total output of 24 MW at a price of 40.8 million euros by Natenco to Hohenlohe Windpark 1 GmbH & Co, Hohenlohe Windpark 2 GmbH & Co KG, Hohenlohe Windpark 3 GmbH & Co KG, Hohenlohe Windpark 4 GmbH & Co. KG, Hohenlohe Windpark 5 GmbH & Co KG and Hohenlohe Windpark 6 GmbH & Co KG, companies affiliated to Meinl International Power Ltd, THEOLIA gave an unconditional and irrevocable guarantee to refund the sale price referred to above in the event of the cancellation of said sale by one or more of the acquirers and in the event of Natenco's default in connection with the repayment of the sale price. This undertaking shall be valid until 30 June 2009.

#### ▪ **Assumption of the undertakings given by the former shareholders of Compagnie Eolienne de Détroit (CED) in the context of its acquisition**

In the context of the acquisition of CED which took place on 4 January 2008, THEOLIA assumed the guarantees and the security given by the former shareholders of CED to the lenders pursuant to loan agreements to which CED is a party. THEOLIA also granted a pledge under Moroccan law over all of the shares in CED which it acquired in order to guarantee the obligations owed by CED to the lenders.

#### ▪ **Pledge of a financial instruments account in order to support THEOLIA Wind Power in the context of a 15 MW project in India**

In the context of the acquisition by the Indian Company THEOLIA Wind Power of a 15 MW project in India, THEOLIA, in a meeting of the Board of Directors on 13 March 2008, granted a pledge over its unit trust accounts to Société Générale in the sum of 9.8 M€. The guarantee aims to cover the possible absence of financing for the 10 MW project. This pledge covers an amount of 9.8 million Euro and is granted for a maximum term of one year.

- **Pledge of a financial instruments account in order to support THEOLIA Wind Power in the context of a 15 MW project in India**

In the context of the acquisition by the Indian Company THEOLIA Wind Power of a 15 MW project in India, THEOLIA granted a pledge over its unit trust accounts to Société Générale in the sum of 9.8 M€. The guarantee aims to cover the possible absence of financing for the 10 MW project.

This pledge covers an amount of 9.8 million euros and is granted for a maximum term of one year.

#### **D - Undertakings received**

- **THEOLIA SA**

- Co-operation agreement between THEOLIA and General Electric

In the context of the co-operation agreement concluded between General Electric and THEOLIA, General Electric has undertaken to offer to THEOLIA the wind energy projects in development which are situated in the European Union. Moreover, General Electric has undertaken to propose to THEOLIA wind energy projects which are about to be constructed or have been constructed but which have not yet reached their commercial operating date and where capacity is less than 45 MW.

General Electric has given THEOLIA a right of first refusal over such projects.

- **THEOLIA France**

THEOLIA France on 31 January 2008 concluded a memorandum of agreement pursuant to which the Company Winvest undertook to offer to it 30 MW of wind energy projects before 31 December 2009.

#### **E – Disputes**

To the best of the Company's knowledge, there is not any dispute likely to significantly affect the activities, earnings or financial situation of the Group.

- **Commercial disputes**

THEOLIA signed on behalf of one of its subsidiaries from the Environment sector an agreement for the design and production of a prototype. A prepayment of 208 K€ was invoiced by the supplier out of a total of 750 K€, the sum owed by THEOLIA to the supplier, or 1 M€ in the event of the termination of the contractual relationship.

At the close of the period, the dispute has been settled in its entirety. A new agreement has been signed between Therbio and the provider.

- **Tax audits**

The tax audits of THEOLIA (VAT), Ventura and Natenco SAS carried out over the period were notified in the course of the second semester of 2007. The total cost of adjustments is less than 200 K€

- **Dispute with the vendors of Natenco SAS**

On 31 January 2008, the dispute between THEOLIA and the vendors of Natenco SAS was resolved by the signature and implementation of a global agreement envisaging the acquisition of two wind farms and building permits representing 20 MW in consideration for the payment by THEOLIA of 3 258 983 €, contractually representing the price supplement claimed by the vendors.

- **Disputes in relation to building permits**



- Disputes in relation to building permits in France

The Company VENTURA has in its asset portfolio three projects, entitled Magremont, La Trie and Joncels respectively, in relation to which appeals have been lodged against the French state pursuant to refusal by a Prefect to grant building permits. These projects represent a total of 132 MW. Appeals have been lodged in relation to all of the projects. However the management estimates that there exists a partial risk that the building permits will not be obtained. Furthermore provisions have been established in respect of costs at 25%, 25% and 50% respectively. This provision has had an impact on earnings (net of tax) for the period, which amount to -238 K€

- Disputes in relation to building permits in Italy

Following an application submitted to the Administrative Court of Lecce (Italy), a decision was handed down on 5 February 2008, which invalidates the approval granted and which suspends the construction works:

- invalidating the approval granted by the region of Puglia for the construction of the planned wind farm; and
- suspending the construction work on the wind farm for the entire duration of the judicial proceedings.

This decision has been appealed to the Council of State. The lawyer in charge of the matter considers that the chances of the Company are good. As a result no provision has been established in respect of the work in progress, which amounts to [...].

The same applicants have submitted a complaint against the directors of the company NeoAnemos, on the basis of a breach of the law for displays of nepotism in favour of local developers and public authorities. According to the same lawyer, there is no evidence of a nature to prove this breach. The matter is currently being heard.

- **Disputes before the employment tribunal**

Former employees have instigated proceedings against THEOLIA following their departure from the Company. Their claims are for:

- damages and interest; and
- warrants or compensation for the loss of stock option benefits.

In one case a decision has been handed down which reduced the claims of the employee in relation to the issue of warrants. The employee is appealing this decision.

On the basis of an estimate of the risk which has been carried out by the management, a provision has been included in the accounts for the sum of 373 K€, compared to total claims of 946 K€.

- **The Suzlon dispute**

On 9 November 2007 the Company Suzlon submitted a termination request to the Company NeoAnemos in connection with the agreement for the supply of turbines and requested the reimbursement of all costs and expenses incurred in connection with the works carried out up until such date.

On 2 April 2008 NeoAnemos, Maestrale Green Energy and Deutsche Bank (in their capacity as shareholders of the parent company of NeoAnemos) signed a preliminary out-of-court agreement with Suzlon in order to bring the dispute to a close. This agreement stipulates inter alia that the turbines shall be purchased by THEOLIA directly and that NeoAnemos and Suzlon shall waive their right to prosecute any dispute. In the event that the resumption of the construction works on the Martignano farm must be approved, THEOLIA has undertaken to sell the turbines to NeoAnemos for a price which is substantially equivalent to the purchase price which will be paid for them to Suzlon.



---

**36. List of Group companies**

---

Companies	% of interest	Methods of consolidation	Country	Activity
SA THEOLIA	100,00	Parent	France	Holding company
MAESTRALE ENERGY Srl	100,00	Full consolidation	Italy	Construction & sale Wind
NATENCO GMBH	100,00	Full consolidation	Germany	Construction & sale Wind
NATENCO HOLDING Gmbh	100,00	Full consolidation	Germany	Construction & sale Wind
NATENCO SAS	100,00	Full consolidation	France	Construction & sale Wind
VENTURA	99,42	Full consolidation	France	Construction & sale Wind
AEROCETTO Srl (Giunchetto 29.75 MW)	100,00	Full consolidation	Italy	Sale of wind electricity
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100,00	Full consolidation	Greece	Sale of electricity Wind
AIOLIKI ENERGEIA SITHONIA AEBE	80,00	Full consolidation	Greece	Sale of electricity Wind
APESA	100,00	Full consolidation	Spain	Sale of electricity Wind
ASSET ELECTRICA	50,00	Full consolidation	Spain	Sale of electricity Wind
BUSMAN WIND GMBH (LADBERGEN I)	100,00	Full consolidation	Germany	Sale of electricity Wind
CEFF	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL AQUEDUC	99,54	Full consolidation	France	Sale of electricity Wind
CENT EOL CHEM DE FER	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE BOIS CHENAULT	99,42	Full consolidation	France	Sale of electricity Wind
CENT EOL DE CANDADES	79,54	Full consolidation	France	Sale of electricity Wind
CENT EOL DE CHASSE MAREE	99,54	Full consolidation	France	Sale of electricity Wind
CENT EOL DE COUME	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE CROIX BOUDET	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE DAINVILLE	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE DEMANGE	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE FRUGES LA PALETTE	91,99	Full consolidation	France	Sale of electricity Wind
CENT EOL DE LA FAGE	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE LA VALLEE DE LA TRIE	99,54	Full consolidation	France	Sale of electricity Wind
CENT EOL DE MOTTENBERG	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE SALLEN	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DE SEGLIEN	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DES COSTIERES	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DES GARGOUILLES	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DES PLOS	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DES SABLONS	99,42	Full consolidation	France	Sale of electricity Wind
CENT EOL DES SOUTETS	79,54	Full consolidation	France	Sale of electricity Wind
CENT EOL DU GRAND CAMP	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DU MAGREMENT	99,54	Full consolidation	France	Sale of electricity Wind
CENT EOL DU MOULIN DE FROIDURE	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DU PAYS DE SOMMIERES	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL DU PLATEAU DE RONCHOIS	100,00	Full consolidation	France	Sale of electricity Wind
CENT EOL FORET BOULTACH	100,00	Full consolidation	France	Sale of electricity Wind
CORSEOL SA	95,20	Full consolidation	France	Sale of electricity Wind
ERNEUERBARE ENERGIE ERNTE VIER GmbH	48,00	Equity method	Germany	Sale of electricity Wind
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH	89,60	Full consolidation	Germany	Sale of electricity Wind
FALKENWALD R.E.W. GmbH & Co. ELF WIND-KG	100,00	Full consolidation	Germany	Sale of electricity Wind
FERM EOL ASSERAC	100,00	Full consolidation	France	Sale of electricity Wind
FERM EOL DE BAZOCHES	100,00	Full consolidation	France	Sale of electricity Wind
FERM EOL DE ST MICHEL CHEF	100,00	Full consolidation	France	Sale of electricity Wind
HECKELBERG R.E.W. GmbH & Co. ZWANZIG WIND-KG	100,00	Full consolidation	Germany	Sale of electricity Wind
LES 4E	100,00	Full consolidation	France	Sale of electricity Wind
MAESTRALR PROJECT HOLDING SA	50,32	Full consolidation	Italy	Sale of electricity Wind
MGE GIUNCHETTO Wind Park SA	100,00	Full consolidation	Italy	Sale of electricity Wind
MGE Idea Srl	100,00	Full consolidation	Italy	Sale of electricity Wind
MPH 1 SA (Giuggianello 28 MW)	100,00	Full consolidation	Italy	Sale of electricity Wind
NATENCO CZECH REP. IG	100,00	Full consolidation	Czech Republic	Sale of electricity Wind
NATENCO DO BRASIL ENERGIAS ALT.	100,00	Full consolidation	Brazil	Sale of electricity Wind
NATENCO WINDPARK 1 MANAGEMENT GmbH	100,00	Full consolidation	Germany	Sale of electricity Wind
NATENCO WINDPARK ALSLEBEN BETEILIGUNGS GmbH	100,00	Full consolidation	Germany	Sale of electricity Wind
NATENCO WINDPARK BETEILIGUNGS GmbH	100,00	Full consolidation	Germany	Sale of electricity Wind
NATENCO WINDPARK MANAGEMENT GmbH	100,00	Full consolidation	Germany	Sale of electricity Wind
NATENCO WINDPARK VERWALTUNG GmbH	100,00	Full consolidation	Germany	Sale of electricity Wind
NATURSTROMNETZ GmbH	43,81	Full consolidation	Germany	Sale of electricity Wind
NEO ANEMOS Srl (Martignano 21 MW)	47,81	Full consolidation	Italy	Sale of electricity Wind
PLAINE DU MONTOIR 1	98,00	Full consolidation	France	Sale of electricity Wind
PLAINE DU MONTOIR 2	98,00	Full consolidation	France	Sale of electricity Wind

Companies exiting during the period

Companies	% of interest	Methods of consolidation	Country	Activity
PREMSLIN R.E.W. BLÜTHEN PREMSLIN Gmbh	100,00	Full consolidation	Germany	Sale of electricity Wind
REW KRANZLIN GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
ROYAL WIND	100,00	Full consolidation	France	Sale of electricity Wind
SIEBZEHNTE UPEG WINDPARK GMBH &CO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
SNC NATENCO SAS	100,00	Full consolidation	France	Sale of electricity Wind
THEOLIA CEE Gmbh	100,00	Full consolidation	Austria	Sale of electricity Wind
THEOLIA DEUTSCHLAND GMBH	100,00	Full consolidation	Germany	Sale of electricity Wind
THEOLIA EMERGING MARKETS	47,62	Full consolidation	Morocco	Sale of electricity Wind
THEOLIA FRANCE	100,00	Full consolidation	France	Sale of electricity Wind
THEOLIA GREECE	95,00	Full consolidation	Greece	Sale of electricity Wind
THEOLIA HUNGARIA	100,00	Full consolidation	Hungary	Sale of electricity Wind
THEOLIA IBERICA	100,00	Full consolidation	Spain	Sale of electricity Wind
THEOLIA MAROCCO	47,62	Full consolidation	Morocco	Sale of electricity Wind
THEOLIA PARTICIPATIONS	100,00	Full consolidation	France	Sale of electricity Wind
THEOLIA POLSKA	99,90	Full consolidation	Poland	Sale of electricity Wind
THEOLIA VERWALTUNG	100,00	Full consolidation	Germany	Sale of electricity Wind
THEOLIA WINDPARK WERBIG GMBH	100,00	Full consolidation	Germany	Sale of electricity Wind
THEOLIA WIND POWER PVT (INDIA)	50,00	Full consolidation	India	Sale of electricity Wind
THEOWATT	100,00	Full consolidation	France	Sale of electricity Wind
UPEG WINDPARK GMBH (LADBERGEN II)	100,00	Full consolidation	Germany	Sale of electricity Wind
UPEG WINDPARK GMBH (LADBERGEN III)	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDENERGIE COESFELD-LETTE GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK ALSLEBEN I Gmbh & Co. KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK BETRIEBS GMBH	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK GROB WARNOW	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK GROSSVARGULA Gmbh & Co. KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK HOPSTEN INVESTITIONS GMBH & CO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK MINDEN Gmbh	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK NETZBETRIEB Gmbh & Co. KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK NIENBERGE GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK NOTTULN GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK RABENAU Gmbh	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK TUCHEN RECKENTHIN INVESTITIONS GMBH	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK VERDEN 1 Gmbh & Co. KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK VERDEN 2 Gmbh & Co. KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK WOLGAST INVESTITIONS GMBH &CO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDWIN GMBH & KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WINDWIN VERWALTUNG GMBH	100,00	Full consolidation	Germany	Sale of electricity Wind
WiWi WK Gmbh & Co. WiWo KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WSB W. RUHLSDORF GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
WSB W. MUHLANGER GMBH &KO KG	100,00	Full consolidation	Germany	Sale of electricity Wind
ZABELSDORF R.E.W. Gmbh & Co. ZWÖLF WIND-KG	100,00	Full consolidation	Germany	Sale of electricity Wind
BIOCARB	92,27	Full consolidation	Switzerland	Non-wind activities
CS2M	100,00	Full consolidation	France	Non-wind activities
ECOLUTIONS	16,77	Equity method	Germany	Non-wind activities
ECOVAL 30 SA	97,66	Full consolidation	France	Non-wind activities
ECOVAL TECHNOLOGY SAS	100,00	Full consolidation	France	Non-wind activities
NEMEAU SAS	100,00	Full consolidation	France	Non-wind activities
PBSR	100,00	Full consolidation	France	Non-wind activities
SAEE	100,00	Full consolidation	France	Non-wind activities
SAPE	100,00	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT	100,00	Full consolidation	France	Non-wind activities
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100,00	Full consolidation	Germany	Non-wind activities
THERBIO	99,99	Full consolidation	France	Non-wind activities
THENERGO ME (Sous Groupe)	29,19	Equity method	Belgium	Non-wind activities
THEOLIA CANADA	99,98	Full consolidation	Canada	Non-wind activities
THEOLIA PREMIERES NATIONS INC	99,98	Full consolidation	Canada	Non-wind activities

Companies exiting during the period