THEOLIA GROUP

2007 MANAGEMENT REPORT

OF THE BOARD OF DIRECTORS

1. Key events and 2007 activity

1.1. Key events

1.1.1. External growth

1.1.1.1. 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 acquired GE Energy Financial Services' European wind farms of a total installed capacity of 165 megawatts. GE Energy Financial Services received 5,250,000 new shares in return for its assets.

GE Energy Financial Services also wanted to support THEOLIA's strong growth by launching a reserved capital increase of € 20 million in exchange for 1,212,000 new shares. An allocation of options (stock warrants) will enable GE Energy Financial Services to acquire 3,000,000 additional shares from THEOLIA.

As part of the reorganisation of the Group's structure, the wind farms provided by General Electric were contributed by THEOLIA to its German subsidiary Natenco Holding.

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

Under the terms of this agreement, THEOLIA and GE Energy Financial Services should collaborate in different domains. Firstly, GE Energy Financial Services will offer THEOLIA as a priority every opportunity for development of wind farms in the 27 member states of Europe. Secondly, THEOLIA will benefit from the know-how and competences of the GE Group with regard to project finance. It is also stipulated that THEOLIA will access the products and services of the GE Group in the energy domain.

1.1.1.2. Acquisition of the Maestrale Green Energy company

On 23 November 2007 THEOLIA acquired an Italian developer, the Maestrale Green Energy group. This acquisition was concluded for an overall price of € 6,761,372. The pipeline of Maestrale Green Energy projects, located exclusively in Italy, represented 500 MW on the day of the acquisition.

The portfolio of Maestrale Green Energy is based on 14 projects. Out of these projects, 5 are in the final stage of obtaining the permits and agreements.
The 9 other projects are still in the initial stages of development.

Maestrale Green Energy currently comprises a team of 8 people, and should grow significantly during the year 2008.

1.1.1.3. Stake in Eco2lutions

Through its subsidiary Theolia Emerging Markets (TEM), the Group has taken a stake of 35.21% in the capital of the German company Eco2lutions, specialised in the trading of carbon credits.
Eco2lutions invests in renewable energy projects in India and China and CDM projects enabling the generation of carbon credits or emission reduction certificates. This company trades in these tools on behalf of the companies in which it has invested.

1.1.1.4. Acquisitions made by Natenco GmbH

As part of its activities of sale and purchase of wind farms, the Natenco Gmbh company has acquired some farms which, due to their special configuration (power, profitability, geographic complementarity) will be kept and not resold.
The installed power acquired by this means amounted to 20.5 MW for the year 2007, notably located in Brandenburg and Rheinland Pfalz.

1.1.2. Organic growth

1.1.2.1. Commissioning of wind farms in France

During the 2007 financial year, the Ventura company, a subsidiary of Theolia France which is specialised in the development and construction of wind farms, completed the construction of three wind farms for a total power of 23.5 MW, namely:

- Sablons wind farm, 10 MW farm, commissioned on 25 May 2007
- Moulin de Froidure wind farm, 12 MW farm, commissioned on 5 December 2007
- Les Plos wind farm, 11.5 MW farm, commissioned on 18 December 2007

The total investment amounted to € 44.4 million.

All of these operations, both organic growth and external growth, have led to a significant increase in the installed production capacity of the Group.

The following table summarises the growth in this capacity by country and by type of operation:

Number of MW in operation (raw data)	31/12/06	Commissioned	Acquired	31/12/07
France	25.00	33.50		58.50
Germany	39.10		185.50	224.60
TOTAL	64.10	33.50	185.50	283.10

1.1.2.2. Creation of subsidiaries

In order to best understand local markets and their economic and regulatory realities, THEOLIA wanted to constitute subsidiaries, where needed, in each country into which it wished to expand.

Creation of Theolia Grèce
Theolia Grèce was created in August 2007 to develop wind projects in Greece.

Creation of Theolia Emerging Markets (TEM)
On 20 September 2007, THEOLIA officially inaugurated its Theolia Emerging Markets subsidiary, dedicated to the development of systems for production of electricity from renewable energies, which will take place exclusively in emerging countries. The areas covered by TEM are the Maghreb, Sub-Saharan Africa, India, South America and Eastern Europe.

Creation of Theolia CEE
Theolia CEE was created in August 2007 to coordinate the development of the Eastern European countries. This company, subsidiary of THEOLIA, will later be attached to Theolia Emerging Markets and will be responsible for the management of the Czech subsidiary.

Creation of Theolia Pologne

Theolia Pologne was created in December 2007 to develop wind projects in Poland. This company is a subsidiary of Theolia CEE.

Creation of Theolia Hongrie

Theolia Hongrie was created in December 2007 to develop wind projects in Hungary. This company is a subsidiary of Theolia CEE.

Creation of Theolia Maroc

Theolia Maroc was created in September 2007 to develop wind projects in Morocco. This company is a subsidiary of Theolia Emerging Markets.

1.1.3. Financing

In addition to the capital increase of € 19,998,000 in cash resulting from the partnership with the General Electric Group, the THEOLIA Group launched several operations during the year 2007 aiming to sustainably increase its financial capacity.

1.1.3.1. Capital increase within the framework of the "PACEO" programme

During the 2007 financial year, the meeting of the THEOLIA Board of Directors of 6 February 2007 recorded the subscription by Société Générale of 3,100,000 shares in the Company and the subsequent realisation of the capital increase, following the exercise of 3,100,000 stock warrants subscribed within the framework of a programme for capital increase via exercise of option (the "PACEO") concluded with Société Générale in 2006.

In order to be able to address its needs but without increasing its debt level, THEOLIA had chosen to establish a PACEO stipulating the issue of a maximum of 7,500,000 new shares and enabling THEOLIA to raise equity capital at times it deemed appropriate during the twenty-four months following the establishment of the PACEO, with Société Générale taking the firm commitment to subscribe to each of the new share issues decided on by THEOLIA.

The admission to trading of the 7,500,000 shares that could originate from the exercise of the stock warrants issued within the framework of the PACEO programme was the object of a prospectus approved by the AMF on 11 June 2007 under the number 07-177.

1.1.3.2. Issuance of a loan represented by bonds with option for conversion and/or exchange into new or existing shares ("OCEANE bonds" or "Bonds")

On 23 October 2007, THEOLIA launched an issue of OCEANE bonds maturing on 1st January 2014 having been the object of a prospectus approved by the AMF on 23 October 2007 under the number 07-0368.

The purpose of this bond issue was to strengthen THEOLIA's organic growth, accelerating the deployment of its wind farms, particularly in countries where THEOLIA wished to increase its presence (notably in France, Germany and the other European countries), refinance the working capital requirements of its subsidiary Natenco and secure the supply of its turbines. Furthermore, as THEOLIA wishes to take an active part in the consolidation of the wind sector, this issue must be used for external growth operations and to reinforce, where appropriate, its equity capital in the event of conversion of Bonds into new shares.

The gross income from the issue was 240,000,009.60 euros, represented by 11,538,462 bonds (after exercise of the extension clause and the additional allocation option) of a unit par value of 20.80 euros, showing a premium of 30% in relation to the stock market price of 16 euros for the shares in the company. The net income from this issue amounted to 233,560,009.36 euros (after exercise of the extension clause and the additional allocation option).

The terms and conditions of the bonds are as follows:

- the duration of the loan is 6 years 61 days (from 31 October to 1st January 2014).
- the annual interest rate is 2% per year, payable in arrears on 1st January of each year (or the next working day if this date is not a working day) and for the first time on 1st January 2008. As an exception, for the period from 31 October 2007, date of payment of the bonds, to 31 December 2007 inclusive, an interest amount of 0.0707 euros per bond shall be paid on 1st January 2008.
- the bonds shall be repaid in their entirety on 1st January 2014 (or the next working day if this date is not a working day) by payment of the redemption price of 22.5430 euros, which is 108.38% of the par value of the bonds.

Redemption is possible only by decision of the issuer:

- for all or some of the bonds, at any time and without limitation of price, by purchases on or off the stock market or by public offers;
- from 1st January 2012, subject to prior notice of 30 calendar days, at the early redemption price increased by the interest accrued, if the total (i) of the share allocation ratio in force, as this term is defined in the Prospectus approved by the AMF, and (ii) of the arithmetic average of the first prices quoted for the Company share over 20 consecutive stock market days (chosen by the Company during the 45 consecutive stock market days preceding publication of the notice of early redemption) exceeds 135% of the par value of the bonds;
  The early redemption price shall be determined such that it assures an initial bond subscriber, on the actual date of redemption of the bonds, an actuarial rate of return equivalent to that obtained in the case of redemption upon maturity, namely 3.25% corresponding to a redemption price comprising 105.48% of the par value of the bonds.
- at any time, for all bonds remaining in circulation, if fewer than 10% of the bonds issued remain in circulation, at the early redemption price increased by the interest accrued.

Any bondholder may decide to request the redemption of all or some of their bonds:

- on 1st January 2012 at the Early Redemption Price increased by the interest accrued.
- in the event of change in control of the company.

If the company carries out certain financial operations (notably in the event of capital increase with maintenance of the preferential right of subscription and distribution of reserves or dividends), the bondholders' rights shall be maintained by performing an adjustment of the share allocation ratio.

1.1.4. Other key events

1.1.4.1. Listing of Thenergo on Alternext

Theolia Benelux, renamed Thenergo, covers all non-wind activities of the THEOLIA Group, apart from the Environment and thermal power plant activities.

On 14 June 2007, Thenergo was listed on the Alternext market of Euronext Paris. This listing was followed by a reserved capital increase in the sum of € 65M realised on 18 June 2007.
Following these operations, THEOLIA's stake was reduced from 91.01% to 35.20%. Within the framework of new external growth operations, Thenergo was led to admit new shareholders.
As at 31 December 2007, THEOLIA's stake in the capital of Thenergo was 29.19%.

1.1.4.2. Admission of THEOLIA to the SBF 120

The *Conseil scientifique des Indices* of Euronext Paris, meeting on 5 September 2007, took the decision to admit THEOLIA to the SBF 120 index. This decision recognised THEOLIA's success, less than one year after its admission to the SBF 250 index.

1.2. Results of the activities of the Group

Firstly, it should be stated that the 2006 financial year was of an exceptional duration of 18 months, from 1st July 2005 to 31 December 2006.

The 2006 pro forma income statement presented below covers a period of 12 months from 1st January 2006 to 31 December 2006 and has been drawn up in considering that all subsidiaries acquired in 2006, and particularly Natenco, belonged to the Group from 1st January 2006. This pro forma income statement therefore reflects the activity of the Group for a full year for 2006.

The income statement for the consolidated Group is presented in the following table:

	31/12/2007 (12 months)	31/12/2006 (Published) (18 months)	31/12/2006 (Pro Forma) (12 months)
Sales	306,481	70,986	158,496
Purchases and changes in inventories	(230,784)	(48,984)	(107,712)
External expenses	(34,746)	(14,301)	(37,120)
Taxes	(1,139)	(729)	(688)
Personnel expenses	(23,413)	(9,993)	(10,133)
Depreciation and amortisation	(18,382)	(3,204)	(5,471)
Other current operating income and expenses	(1,267)	(145)	6,686
Current operating income	**(3,250)**	**(6,370)**	**4,058**
Other non-current operating income and expenses	21,014	(1,568)	(1,654)
Operating Income (before Goodwill Impairment)	17,764	(7,938)	2,404
Goodwill impairment	(56,490)	-	-
Operating Income (after Goodwill Impairment)	**(38,726)**	**(7,938)**	**2,404**
Cost of net financial debt	(10,086)	(488)	(1,445)
Other financial income and expenses	2,145	1,060	872
Share of income from associates	589	62	245
Income tax expense	(2,729)	3,131	1,988
Net income (Loss) of the Year	(48,807)	(4,173)	4,064
Attributable to: Group share	(48,262)	(4,414)	3,397
Minority interests	(546)	240	668
Earnings per share	-1.41	(0.28)	
Diluted earnings per share	-0.95	(0.24)	

1.2.1. Analysis of growth

1.2.1.1. Analysis at Group level

The sales of the consolidated Group for the 2007 financial year amounted to € 306,481K and increased by 331% compared with the accounts published for the financial year closing on 31 December 2006. If these sales are compared to the pro forma 12-month sales of € 158,496K, the increase is 93%.

	31/12/2007 (12 months)	31/12/2006 Published (18 months)	31/12/2006 Pro Forma (12 months)	31/12/2007 Pro Forma (12 months)
Sales	306,481	70,986	158,496	323,385
Purchases and changes in inventories	(230,784)	(48,984)	(107,712)	(230,784)
Gross margin	75,697	22,002	45,954	92,601

The margin increased significantly between 2006 and 2007, from € 22,002K to € 75,697K.
The gross margin, before marketing costs, fell from 31% to 24.7%. This fall was linked to a very strong evolution in the composition of the sales and the change to the relative proportions of activities at very different gross margins.

The table below presents the Group's sales with distribution by business lines.

Sales	31/12/2007	31/12/2006 Published	31/12/2006 Pro Forma
Construction and sale of wind farms	218,422	53,059	116,640
Sale of electricity generated by wind power	53,912	3,273	24,450
Non-wind activities	34,146	14,655	17,405
Total	306,481	70,986	158,496

1.2.1.2. Analysis by activity

Construction and sale of wind farms

The "Construction and sale of wind farms" activity generated sales of € 218,422K, compared with € 53,059K at 31 December 2006 (18 months), which is an increase of 311%.
Sales are distributed between:
Germany.. € 200,606 K
France.. € 17,816 K

The "construction and sale of wind farms" activity, the Natenco business line, is highly seasonal, with 96% of the 2007 sales realised during the second half of the year. In fact, clients who invest in wind farms in Germany benefit from a significant tax advantage and thus delay their investment as late as possible in the tax year in order to optimise the financial cost. The Group records reservations throughout the financial year, but only actually realises the sale (and therefore records sales) in the last part of the financial year. On the other hand, the structural costs of this activity are recorded evenly over the whole year.

Germany
In comparison to the 2006 pro forma, the "construction and sale of wind farms" activity has more than doubled. This increase can principally be explained by the full-year effect of the consolidation of the German subsidiary Natenco, and by the very strong increase in Natenco's sales.

In fact, despite a lower number of new projects on the German market, Natenco this year sold 38 projects of a total power of 133.4 MW, compared with 19 projects the previous year representing a power of 54 MW. This increase in sales has been made possible by the quality of service rendered by Natenco which assures it the loyalty of its principal clients and also enables it to expand its client portfolio.

France
Theolia France, via its subsidiary Ventura, sold three "turnkey" wind farms during the financial year for a total of 18.4 MW. These three wind farms are located in Aveyron. The sales of these wind farms realised over the financial year amounted to € 17,816K.
These 3 wind farms began producing electricity in November and December 2007.

The gross margin after marketing costs incurred by this activity of sale of wind farms averaged 12.35% over the 2007 financial year.
The very sharp increase in sales of this activity, associated with the establishment of new marketing procedures defined by THEOLIA when it took a stake in Natenco, makes any comparison with the margin levels recorded in previous years unworkable.

- Sale of electricity generated by wind power

Sale of electricity generated by wind power	31/12/2007	
	Own account	For third parties
Sale of electricity, Germany	21,107	27,028
Sale of electricity, France	5,777	0
Total	26,884	27,028

The sales of electricity produced from wind energy amounted to € 53,912K, compared with € 3,273K at 31 December 2006 (18 months).
It should be noted that this value of € 53,912K integrates, on the one hand, the sale of electricity generated on behalf of third parties within the management contract operated by Natenco at the level of € 27,028K, and on the other hand, the sale of electricity produced by wholly owned wind farms at the level of € 26,884K.

This sharp increase is due to the combination of the following factors:
- **the full-year consolidation of the Natenco Gmbh company**
  The sales relative to the sale of electricity in 2006 amounted to € 1M (consolidation of Natenco between 13 and 31 December), compared with € 27M over the year 2007.
- **the highly significant increase in the number of MW managed by Natenco**
  Natenco's portfolio increased from 194 MW at the end of 2006 to 510 MW at the end of 2007 (including the management of the German farms wholly owned by the Group).
- **the impact of the farms acquired or commissioned in 2006**
  In 2007, the sales of electricity created by the wind farms commissioned or acquired in 2006 were taken into account over the whole year. The sales relative to these farms amounted to € 11,606K.
- **the impact of farms acquired or commissioned in 2007**
  The wind farms acquired during the 2007 financial year within the framework of the contribution made by GE Energy Financial Services generated sales in the second half of 2007 of € 13,398K.

Lastly, the commissioning of wind farms developed by the Group in France during the 2007 financial year generated sales of € 1,213K.

Farm management contracts established by Natenco upon the sale of the wind farms to its clients guarantee it, in principle, a gross margin of 5%. It should however be noted that the structural costs and management costs remain to be deducted from this margin.

- Non-wind activities

Non-wind activities generated sales of € 34,234K, compared with € 14,974K at 31 December 2006 (18 months). This variation can be principally explained by the sale of a photovoltaic park in Germany by Natenco for a sum of € 14,400K. This solar park, the first sold by the Group, had an installed power of 3MW.
The non-wind activity is also benefiting from the growth of the activity of SERES Environnement, acquired in 2006 and thus consolidated for the first time over the entire 2007 financial year. The sales realised by SERES Environnement, specialised in the manufacture and marketing of water and air quality measurement instruments, amounted to € 6,082K. The year 2007 also saw the commissioning of the waste treatment plant in Beaucaire, which realised sales of € 3,618K.
Lastly, the listing of Thenergo on Alternext, and the resulting reduction in THEOLIA's stake, changed the method of consolidation of Thenergo from 14 June 2007.
This Belgian Group is in fact now consolidated by the equity method, which has a direct negative impact on the consolidated sales of € 2,676K. The 2006 sales (18 months) amounted to € 4,648K, compared with € 7,324K for the first 6 months of 2007.

1.2.2. Analysis of profitability

1.2.2.1. Analysis at Group level

EBITDA

In 2007, THEOLIA saw a very strong increase in its EBITDA, a logical consequence of the growth of its activity.
It should firstly be stated that the EBITDA calculated by the THEOLIA Group and presented hereafter was determined by neutralising the effects in the current operating income of all expenditure that did not constitute cashflow for the company, namely:

- allocations to amortisations and provisions that constitute calculated expenditure.
- Personnel expenses resulting from the implementation of stock warrants and free share allocation plans which come under the application of the IFRS 2 standard.

The following table enables a comparative analysis of the EBITDA in relation to the previous financial year and the pro forma for the year 2006, along with a reconciliation with the current operating income.

	31/12/2007 (12 months)	31/12/2006 Published (18 months)	31/12/2006 Pro forma (12 months)	31/12/2007 Pro forma (12 months)
Current operating income	(3,250)	(6,370)	4,058	5,610
Amortisations and provisions	18,382	3,204	5,471	23,636
Non-cash personnel expenses	11,796	3,552	1,423	11,796
EBITDA	26,928	386	10,952	41,042
EBITDA level as a % of sales	8.79%	0.54%	7 %	12.69 %

The 2007 EBITDA has markedly improved in relation to 2006, increasing from € 386K to € 26,928K, which is 70 times higher. The EBITDA level over the 2007 financial year is furthermore 26% greater than the EBITDA level for the 2006 financial year on a pro forma basis.
The 2007 pro forma EBITDA level (taking account of the acquisition of wind farms of the General Electric Group, as if it had been realised on 1st January 2007) amounted to € 41,042K.

The increase in EBITDA in 2007 is the logical consequence of the development of the activity and, in particular the increase in strength of sales of electricity for own account, which strongly contributes to the formation of the EBITDA.

The EBITDA level also shows an improved balance of the structural costs with the activity. During the previous financial year, the Group had incurred significant costs intended to ensure its growth. During the 2007 financial year, the Group has been able to assimilate its growth without significant variation in its structural costs. The result is a very strong increase in the intrinsic profitability of the company, represented by its EBITDA.

Operating income before goodwill impairment

The operating income before goodwill impairment amounted to € 17,764K at 31 December 2007, compared with € - 7,938K at 31 December 2006 (published).

This sharp increase is principally due to the dilution profit of € 22,981K following Thenergo's admission of new shareholders at the same time as its listing on Alternext. As Thenergo's capital increase led to a reduction in the Group's stake, the operation is likened to a partial cession of shares which must be recorded in the income. Considering the value at which the new shares in Thenergo were subscribed, the income from the dilution recorded by THEOLIA was a profit of € 22,981K. This income, although not recurrent, highlights part of the value creation realised by the Group by introducing Thenergo on Alternext.

Operating income after goodwill impairment

The operating income of the Group, after goodwill impairment, amounted to € - 38,726K at 31 December 2007, compared with a loss of € - 7,938K at 31 December 2006.

The decrease in the operating income is due to a goodwill impairment relative to the acquisition of the farms from the subsidiaries of the General Electric Group resulting from the application of the IFRS 3 standard.

This requires recording the contribution on the basis of fair value of the 5,250,000 THEOLIA shares given to the contributor (General Electric Group) on the day of handover of the securities, which was 2 July 2007, date on which the price of the THEOLIA shares was € 27.26. This value is much greater than the value of the shares used as reference for the transaction, which was € 16.50. This difference led to the recording by way of the IFRS 3 of goodwill of € 56,490K without economic justification, which was immediately depreciated in the 2007 income statement.

This depreciation is a technical adjustment which does not affect the key indicators of the Group's activity in 2007, or the values and prospects for profitability of the assets acquired. It furthermore has no impact on the Group's cash position.

Net income from the consolidated Group

The net income from the consolidated Group at 31 December 2007 amounted to € - 48,807K, compared with a negative result of € - 4,173K at 31 December 2006.

The financial debt cost increased significantly over the period, from (€ 488K) over the 2006 financial year to (€ 10,086K) over the 2007 financial year.

In addition to the issue by THEOLIA of a convertible bond (see the paragraph on OCEANE bonds in 1.1 "Key events"), this sharp increase can be explained by the establishment of various financing of the farms commissioned in 2007 and the takeover of outstanding financing over the farms acquired in 2007.

Furthermore, the income tax expense increased by € 5,860K due to the significant profits recorded in Germany.

The share of income from associates amounted to € 589K in 2007, compared with € 62K in 2006, and is principally constituted of the income from Thenergo, which has been consolidated by the equity method since its listing on Alternext in June 2007.

Net income minority holding share

The net income minority holding share fell from € 240K over the 2006 financial year to € - 546K over the 2007 financial year. This fall in the minority holding share is mainly due to the recording of losses on the partially held structures of Theolia India, TEM and Asset Electrica.

Net income Group share

The net income Group share of THEOLIA fell from € - 4,414K at 31 December 2006 to € - 48,262K at 31 December 2007.

1.2.2.2. Analysis by activity

The table below presents the EBITDA by activity.

EBITDA at 31/12/2007 by activity	Construction and sale of wind farms	Sale of electricity generated by wind power	Non-wind activities	Holding	Total
Current operating income	11,073	6,390	-5,573	-15,140	-3,250
Amortisations and provisions	1,913	10,798	5,607	64	18,382
Non-cash personnel expenses IFRS 2	2,411	610	754	8,022	11,797
EBITDA	15,397	17,798	788	-7,054	26,928
EBITDA level as a % of sales	7.05%	33.01%	2.31%	N/A	8.79%

Construction and sale of wind farms

The increase in volume of sales has enabled optimisation of certain costs incurred, particularly general costs, thus generating good profitability in this activity.

Sale of electricity generated by wind power

The negative effect of the wind statistics in Germany over the second half of the year represented for the Group a loss of earnings on the sales recorded by the farms contributed by GE of over 4 million euros. As the costs relative to the wind farms are mainly fixed, this loss of earnings has a direct effect on the EBITDA.

The EBITDA level on electricity sales on behalf of third parties amounts to around 2%.

Non-wind activities

The relative weakness of the EBITDA, which amounted to 2.31% at 31 December 2007, is linked to the proportion of personnel expenses of the sector in comparison with sales.

1.2.3. Analysis of the financial structure

1.2.3.1. Equity capital

The equity capital of the Group amounted to € 403,071K at 31 December 2007, compared with € 171,421K at 31 December 2006.

1.2.3.2. Net financial debt

The net debt level increased from € 61,098K at 31 December 2006 to € 222,069K at 31 December 2007.

	31/12/2007	31/12/2006
Non-current financial debt	-458,624	-83,030
Current financial debt	-90,772	-44,375
Current financial assets	1,128	798
Cash and cash equivalents	326,199	65,509
Net financial debt	-222,069	-61,098

1.2.3.3. Cash and cash equivalents

The table hereafter presents a summary version of the variation in cash recorded over the financial year and the nature of the cashflow.

	31/12/2007	**31/12/2006**
Gross cashflow	26,850	-1,946
Change in operating WCR	1,795	-190
Income tax paid	240	-2,161
Cashflow from operating activities	**28,885**	**-4,298**
Net cashflow used by investing activities	**-134,658**	**-117,862**
Net cashflow generated by investing activities	**368,663**	**166,007**
Foreign currency translation adjustments	-111	-
Change in cash and cash equivalents	**262,779**	**43,847**
Opening net cash and cash equivalents	**63,142**	**19,295**
Closing net cash and cash equivalents	**325,921**	**63,142**

At 31 December 2007, the net cash and cash equivalents of the THEOLIA Group were positive at € 325,921K, compared with € 63,142K at 31 December 2006, an increase of 416% over the period.

Cash originating from the activity

The gross cashflow, which constitutes the cash resource originating from the activity, was positive at € 26,850K at 31 December 2007, showing the Group's capacity to generate an intrinsic resource.
This gross cashflow was negative upon closure of the previous financial year.

It can be noted that the change in operating WCR is particularly low, limited to € 1,795K. This is mainly due to the fact that the increase in Natenco's activity was financed through an extension of supplier deadlines.
The cashflow originating from operating activities was equal to € 28,885K at 31 December 2007, where it was negative at € - 4,298K at 31 December 2006.

Net cashflow used by investing activities

The net cashflow used by investing activities amounted to € 134,658K, compared with € 117,862K at 31 December 2006.
The cashflow for the 2007 financial year mainly comprised investments in the construction of wind farms for € 50,906K.

The change in loans and advances of € 24,138K concerns principally the loans granted by Natenco Gmbh to its clients pending financing. This increase is linked to the growth in sales of Natenco Gmbh. These loans are considered as investment flow because they are usually financed via the use of credit.

Lastly, the cash impacts of the changes in scope, which amounted to € 66,516K, originated mainly from Eco2lutions and Maestrale operations, as well as payment of the balance for the acquisition of Natenco realised in March 2007.

Net cashflow generated by investing activities
The investing operations realised over the financial year strengthened cash and cash equivalents by € 368,663K.

The three principal sources of finance over the 2007 financial year were:
Cash capital increases .... € 96,176K
Subscription to the bond issue .... € 235,313K
Contracting loans .... € 71,769K

Furthermore, the Group repaid lenders the overall sum of € 35,836K, consisting of € 24,116K in capital and € 11,720K in interest.

2. Events after closure and prospects

2.1. Events after closure

On 4 January 2008, THEOLIA finalised the acquisition of the *Compagnie Éolienne de Détroit*, which was majority held by EDF International. This acquisition relates to 100% of rights and the amount of the transaction is € 45,241K. This acquisition was made in cash and the resulting goodwill is estimated at this stage in the sum of € 15,700K.
Based in Tétouan, CED owns the wind farm installed in the Kingdom of Morocco. It comprises 84 wind turbines for a total installed power of 50.4 MW and produces around 190 MW/h per year. A team of 10 people has been managing this farm since it was commissioned in 2000.

2.2. Prospects

The THEOLIA Group has seen rapid growth. In 2007 the Group added 421 MW to its portfolio in operation, achieving a total of 630 MW in operation. THEOLIA is one of the leaders in wind energy in Europe, notably on the French and German markets.

The Group has set the objective of achieving an installed capacity of 2,000 MW by the end of 2011, the majority of MW being held for own account, and becoming a major player on a worldwide level.

This growth will firstly take place via a strengthening of its presence in Western Europe, notably in France, Italy, Germany, Spain and Greece. These countries have favourable legislative environments, with fixed pricing policies for the purchase of the electricity produced. These conditions are very attractive for the wind farm installation projects that THEOLIA develops. Furthermore the Group, particularly well established in these European areas with specialised and experienced teams, has significant local contacts in these countries to support its development.

At the same time, the Group will deploy new positions in emerging countries through its dedicated subsidiary Theolia Emerging Markets (TEM). Already having 50 MW in operation in Morocco, the Group is developing projects in India, Brazil and in some countries of Eastern Europe, and is studying projects in many other countries. These countries are a formidable growth engine for THEOLIA, and have a high potential for development with growing demand with regard to electricity. The Group is weaving alliances with the local operators who know the specificities of the target markets.

THEOLIA has a solid pipeline of projects underway, enabling it to support its expansion ambitions. Furthermore, at the end of 2007 the Group issued bonds with option for conversion and/or exchange into new or existing shares (OCEANE bonds) for a sum of 240 million euros, giving it the capital necessary to seize external growth opportunities in its various wind energy markets.

3. Research and development

The company SERES Environnement, belonging the Environment division of the THEOLIA Group, and specialised in the design and marketing of water and air quality measurement instruments, has initiated a number of R&D projects notably centred on the improvement in quality of its breathalysers.

The research and development costs capitalised amounted to € 390K.
They correspond to:

- the valuation of time spent for € 276K;
- supply and subcontracting for € 114K.

These costs concern projects which are highly individual and which have real chances of technical and commercial success.
It should be noted that one of these projects benefits from reimbursable advances in the sum of € 120K granted by Oseo Innovation.

4. Risk factors

4.1. Risks linked to the company

4.1.1. Risks linked to its activity

4.1.1.1 Risks linked to the profitability of the wind farms

The economic model of the wind farms is based on a long-term financing plan (15 to 20 years) which has a great sensitivity to the revenues generated.

No guarantee may be given by the Company with regard to the reliability of the installations, the solvency of the manufacturers, the increase in maintenance costs or interest rates, the temporary or definitive cessation of operation of the wind farms, or any event that may result in a reduction in the income generated by the farm.
The onset of such an event would thus have consequences on THEOLIA's capacity to meet the due dates of one or more financing plans for the wind farms and could have a significant negative effect on the activity, the financial situation or the results of the Company or on its ability to meet its objectives.

4.1.1.2 Risks linked to obtaining construction permits

The construction of a wind farm requires obtaining a construction permit expunged of all claims by third parties. The table below presents the construction permits in the process of application as of 31 December 2007:

List of construction permits in the process of application in France:

Sites	(MW)	Sites	(MW)
Aqueduc 1	12	Sommières 2	10
Aqueduc 2	2	Vesaignes	10
Biesles	12	L'Ardèche	12
Bois d'Aimont 1	10	Les Pins	12
Bois d'Aimont 2	10	CEMAG 1*	12
Bois d'Aimont 3	10	CEMAG 2*	12
Costières	12	CEMAG 3*	12
Coume	7.5	CEMAG 4*	12
Croix de Boudets 1	4.6	CEMAG 5*	12
Croix de Boudets 2	11.5	CEMAG 6*	12
Croix de Boudets 3	11.5	CEMAG 7*	12
Extension de CAP	16.1	CEMAG 8*	3
Faydunes	12	CETRI 1*	12
Gargouilles 4	12	CETRI 2*	12
Saint Blin	12	CETRI 3*	12
Sommières 1	12	**TOTAL**	**334.2**

* Construction permit under appeal following an initial refusal.

The table below shows the construction permits obtained as at 31 December 2007:

Sites where the CPs are final	(MW)	Sites under construction	(MW)
Charmois	12.00	Le Grand Camp 1	10.00
Chasse - Marée 1	12.00	Le Grand Camp 2	10.00
Chasse - Marée 2	12.00	Ronchois	30.00
Gargouilles 1	12.00	Sallen	8.00
Gargouilles 2	12.00		
Gargouilles 3	12.00		
SUBTOTAL	72.00	SUBTOTAL	58.00
GENERAL TOTAL			**130.00**

No guarantee can be given as to whether the construction permit in the process of deposit or application will be obtained.

In order to limit the risk linked to not obtaining such permits or having the permits challenged by third parties, the Group is notably seeking, as in Germany and Spain, to acquire projects having construction permits expunged of all claims by third parties from “developers” whose role, among other things, is to perform all surveys and formalities and obtain the necessary authorisations.

4.1.1.3 Risks linked to suppliers

Via its subsidiaries Ventura and Natenco, the Group exercises an activity of turnkey construction of wind farms. These projects require the delivery and assembly of many technical elements, such as masts or aerogenerators. Only a limited number of suppliers can deliver the technical elements of the wind farms to the Group.

There are three principal supplier risks:

(i) faced with the increase in demand linked to the growth of the market, and considering the limited number of suppliers, there is a risk of inflation in the price of these elements;
(ii) there is a risk that the suppliers will no longer be able to meet the demands of the Company and consequently will favour bigger players on the market. No guarantee can be given as to whether the principal suppliers of the Group will be able to meet their commitments within the agreed timescales; and
(iii) the Company feels that, within the framework of its wind activity, the choice of supplier will be more and more conditioned by the ability of the latter to take on the maintenance of the installations. For each operation of construction and operation of a wind farm, the Company takes out long-term maintenance contracts with the wind equipment suppliers enabling compensation in the event of failure of the installations which guarantees 95 to 98% of annual production.

As a result, any inflation in prices, any delay in delivery, any inability to order the elements necessary to the construction of the wind farms, or any inability of the supplier to respect its commitments with regard to maintenance over all geographical areas where the Company has installations, could harm the economic profitability of a project and have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

In particular, an increase in the price of turbines is likely to harm the profitability of a wind project. This risk is however limited insofar as THEOLIA's investment decisions are made with consideration for the return on the operation; any equipment manufacturer that is too expensive will be rejected. As THEOLIA uses several suppliers, the competitive environment thus limits the impact of an increase in the price of equipment on the profitability of THEOLIA wind activities.

4.1.1.4 Risks linked to dependence on clients

Within the framework of its activities for production of electricity produced by wind power, the Group has chosen to sell its electricity produced to distributors (EDF in France) and, with regard to the Natenco activity of turnkey construction of wind farms, to transfer the ownership of some wind farms to third parties.

The loss or insolvency of a client could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.1.5 Risks linked to competition from other renewable energy electricity producers

The Group is preparing for intensified competition. In fact, various players already present on the market or new entrants could compromise the Company's growth prospects.

Some competitors have greater financial clout than the Company, enabling them to acquire new projects and win market shares on the renewable electricity sector. The strengthening of this competition could lead to an increase in the price of acquisition of projects.

Consequently, no assurance can be given as to whether the Company will be able to confront this competition, which could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.1.6 Risks linked to climate conditions

A large part of the Group's activity relates to wind energy. The production of this type of energy depends on climate conditions.
A sustained fall in wind conditions on the sites, or the onset of natural disasters resulting from exceptional climate conditions, could lead to a reduction in these revenues (representing, during the 2007 financial year, 89% of the Group's sales). Such an event could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.1.7 Risks linked to rejection of wind projects by part of the population

Some people object to the establishment of wind projects and cite visual pollution of the countryside, sound issues, or more generally, damage to their environment.

Although the development of a wind project requires an environmental impact study and, in France, the organisation of a public inquiry prior to the obtaining of construction permits, no guarantee can be given by the Company as to whether the wind project will receive a favourable opinion from the populations concerned.

The mobilisation of part of the population against the establishment of a wind project could thus make it difficult to obtain the construction permit or hinder the operation of said project.

Although the Group's principal activity does not rest solely on the development of wind farms, the onset of such an event could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.1.8 Risks linked to pollution of the sites operated by the company

Within the framework of its non-wind activities, the Company operates sites which may present dangers or drawbacks for the convenience of the neighbours, safety, or the protection of nature and the environment.

No guarantee can be given by the Company as to whether its units will be the source of pollution, nuisance or environmental damage.

In the event of onset of such events, the liability of the Company or one of the companies of the Group could be sought in compensation for the damages or losses caused. The implication of the Company's liability in environmental matters could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.2. Risks linked to the development of the Company

4.1.2.1 Risks linked to the rapid growth of the Company and the fact that it is at the investment stage

The Company has invested massively and seen rapid growth, notably through its internal developments and the acquisitions it has realised (cf. 1.1 Key events).

No guarantee can be given by the Company as to its capacity to succeed in the stage of construction and operation of its projects or as to its ability to successfully integrate its new acquisitions.

Within the framework of its external growth strategy, the Group may be led to realise new acquisitions or investments. No guarantee can be given as to whether the Company will manage to successfully integrate the companies acquired, show the expected synergies, establish and maintain uniform standards, controls, procedures and policies, or maintain good relations with the staff of the entities acquired following changes in management. A failure of these integrations or investments could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

Generally, the Company cannot guarantee that the investment it plans will be realised under the expected conditions of cost and timescale, or that the investments, once realised, will comply with the Company's projections. No guarantee can be given with regard to the profitability of these acquisitions with regard to the prices paid.

Some of these acquisitions or investments could be subject to payment in shares in the Company, which could dilute the situation of the Company's shareholders. Furthermore, the terms of financing of these acquisitions or investments, whether remunerated in cash or in shares, could have a significant negative effect on the stock market price of the Company shares and the financial situation of the Group, notably in the event of use of debt.

4.1.2.2 Risks linked to dependence on directors and key employees

The future successes of the Group will rest largely on the full involvement of its principal directors. The Company notably relies on Jean-Marie Santander, Chairman and Chief Executive Officer and shareholder in the Company, for its development and for the definition and implementation of its strategy.

If the Company was to lose the services of one or more of its directors having a high level of expertise in the market on which the Group exercises its activity, and particularly Jean-Marie Santander, or if one or more decided to reduce or end their involvement, the Company could encounter difficulties in replacing them and its activities could slow down, or its financial situation, results or ability to realise its objectives could be affected.

Furthermore, the future success of the Company depends on its ability to retain and motivate its key employees and attract highly qualified workers. The Company may not be able to achieve this in order to maintain its competitiveness and its profitability, and the inability to do so could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.1.2.3 Risks linked to partnerships

In several countries, and notably in Brazil and India, the Group is developing, and may develop in the future, its activities through partnerships with local players with a good knowledge of local wind energy production. These partners are notably responsible for prospecting and realising new projects. In this context, the Group may hold a minority stake in the company asked to carry the project and which is managed by the local partner.

The onset of disagreements with one or more partners could undermine one or more projects and would have a significant negative effect on its activity or its ability to realise a particular project.

4.1.2.4 Risk linked to the shareholding body

At the Mixed General Meeting of 29 June 2007, a reference shareholder was admitted to the company. As at 31 December 2007, GE France SNC, company of the General Electric Group, held 16.88% of the capital in the company.
No shareholders' agreement has been signed, but a change to the Rules of Procedure of the Board of Directors was made at the meeting of the Board of Directors of 2 July 2007; a new article was added granting them a right of veto over a certain number of decisions (cf. 9.3 Rules of Procedure of the Board of Directors – Article 5).

In the event of disagreement between the management of the Company and the General Electric Group, or in the event of agreement or even actions in concert between shareholders, no assurance can be given as to whether the Company will be able to implement its development strategy, which could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.2. Market risks

4.2.1. Risks linked to obtaining financing

The Company's growth model principally consists of developing and financing individual projects for electricity production plants. In order to conduct these successfully, the Company must imperatively find the necessary individual financing, in the form of debt and equity capital.

The Company cannot guarantee that it will be able to have sufficient financing or that the market conditions will be favourable to enable raising of financing of any nature (bank, raising of funds on the capital markets) essential to the development of the Company, which could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

4.2.2. Liquidity risks linked to finance

The Group finances each of its projects independently. To date, the Group has not encountered any particular difficulty in obtaining its finance. It is stated that only the project level companies take out long-term loans with banking institutions. Furthermore, the Group has never defaulted on any of the essential clauses of the loan contracts obtained. The commitments taken on by the project level companies are commonplace and notably relate to respect for ratios and the periodicity of repayment of the sums lent.

In the event that one of the companies of the Group did not respect one of the terms of repayment of the loans contracted, the implementation of the early repayment obligation would constitute a liquidity risk for the Group.

The lack of finance, or the obligation for early repayment of outstanding finance, could make it difficult for the Company to acquire or develop new projects, which could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

The default and payability clauses specified by each contract are independent of each other, apart from certain credit agreements grouped together for the purposes of offering reciprocal sureties to the banks. However, the consequences for non-respect of the ratios provided in a contract remain limited to this contract or a group of contracts identified as such.

The principal default and payability clauses included in the loan contracts are as follows:

- default in payment of the sums due by way of the loan;
- breach of a financing document, and in particular the pari passu and inter-creditor subordination clauses, the restrictions relative to the distribution of dividends by the project level companies, intra-group restructuring and the cession of assets, the reduction in sureties or invalidation of the authorisations necessary to the operation, etc;
- the onset of a banking incident declared to the Banque de France;
- the implementation of an enforcement process by a creditor, such as a seizure of assets of the project level company;
- failure to execute a legal decision;
- bankruptcy, dissolution, provisional administration or liquidation of the project level company;
- a change in legislation rendering the continuation of the project illegal;
- nationalisation of the project;
- expropriation of the project level company;
- abandonment or suspension of the project;
- non-conclusion of a purchase contract with EDF within a reasonable timescale;
- overrun of the construction budget not covered by the partners of the project level company;
- onset of a significant negative event;
- inaccuracy of the information transmitted to the banker in advance;
- destruction of the principal assets of the project;
- non-respect for the financial debt ratios, which must be between 90/10 and 70/30;

- non-respect of the debt service coverage ratio (DSCR ratios), which generally have to be between 1.05 and 1.20.

The two abovementioned ratios are defined as follows:

- Financial debt ratios: ratio between the amount of the bank debts of the project level company and the contributions made in equity capital or quasi-equity capital by the Group.
- DSCR ratios:

$$\mathrm{DSCR} = \frac{\mathrm{EBE}}{\mathrm{Debt\ \ Service}}$$

where "EBE" designates the gross operating surplus (to which some financial institutions prefer free cashflow) and "Debt Service" designates the sum (i) of the repayment of the principal of the financial debts, and (ii) of the interest payable by way of the said financial debts over the financial year in question.

Furthermore, it should be noted that the Group does not undertake any securitisation of its debts.

4.2.3. Interest rate risks

The Company's financing plan with regard to its wind projects involves a high level of debt (75% to 80%) taken out at a fixed or variable rate. Under these conditions, a significant increase in interest rates could undermine the profitability of future projects of the Company and/or the development of its wind portfolio. In order to limit this risk for loan contracts underway, the Group implements an interest rate risk hedge policy, using interest rate exchange contracts (rate swaps) to protect itself against an increase in the variable interest to be paid by way of the loan contracts.
The onset of such an event could have a significant negative effect on its activity, its financial situation, its results, or its ability to meet its objectives.

4.2.4. Risks linked to financing via OCEANE bonds

On 23 October 2007, THEOLIA launched an issue of OCEANE bonds maturing on 1st January 2014 having been the object of a prospectus approved by the AMF on 23 October 2007 under the number 07-0368.

The gross income from the issue was 240,000,009.60 euros, represented by 11,538,462 bonds (after exercise of the extension clause and the additional allocation option) of a unit par value of 20.80 euros, showing a premium of 30% in relation to the stock market price of 16 euros for the shares in the company. The net income from this issue amounted to 233,560,009.36 euros.

The bonds shall be repaid in their entirety on 1st January 2014 (or the next working day if this date is not a working day) by payment of the redemption price of 22.5430 euros, which is 108.38% of the par value of the bonds.

The OCEANE bonds present a risk of non-conversion and a risk of early redemption for the Company.
The risk of non-conversion lies in an negative evolution of the stock market price (below the redemption price at the date of maturity of the OCEANE bonds) which would limit the number of conversions of OCEANE bonds into THEOLIA shares, mechanically increasing the amount to be repaid by THEOLIA.
The risk of early redemption is linked to the fact that any bondholder can demand reimbursement of all or some of their Bonds if they so desire

- on 1st January 2012 at the Early Redemption Price increased by interest;
- at any time in the event of change in control of the Company;

The Company cannot guarantee that it will be able to have sufficient liquidity or that the market conditions will be favourable to enable it to address its obligations.

4.2.5. Risks linked to the exchange rate

The Company is currently little exposed to foreign exchange risks insofar as the majority of its operations are realised in the euro zone (notably France and Germany). Nevertheless, THEOLIA is developing and making investments in certain countries where it will be exposed to a foreign exchange risk (Morocco, India and Brazil). At 31 December 2007, this risk was very low. However, increased exposure to the foreign exchange risk could have a significant negative effect on the activity, the financial situation or the results of the Company, or on its ability to meet its objectives.

4.2.6. Risks linked to potential dilution for shareholders

At 31 December 2007, a number of

- 4,339,014 stock warrants were in circulation, enabling the issue of 4,517,447 new shares in the Company;
- 400,000 share issue bonds were in circulation, enabling the issue of 400,000 new shares in the Company;
- 575,715 free shares were allocated, ultimately enabling the maximum issue of 575,715 new shares in the Company;
- 11,538,462 OCEANE bonds were issued enabling, in the event of conversion of the bonds, the issue of 11,538,462 shares.

If all these securities giving access to the capital were exercised, a shareholder holding 1% of the capital before their exercise would see their stake fall to 0.69% in the capital of THEOLIA.

4.3. Legal risks

4.3.1. Risks linked to exceptional events and outstanding disputes

The Group is, or could be, involved in a number of legal procedures in the normal course of its activities. Damages and interest are, or could be, demanded within the framework of some of these procedures affecting the Company or the companies of the Group. The Group currently feels that the nature or the amounts to which the known disputes or contentious situations relate do not justify the constitution of provisions and should not affect its consolidated financial situation significantly in the event of unfavourable outcome.

The Group is not aware of any pending or threatened governmental, legal or arbitration procedure that is likely to have, or having had during the last 12 months, significant effects on the financial situation or the profitability of the Group.

4.3.2. Risks linked to intellectual and industrial property rights

The Company is the owner or holds valid rights of use of intellectual and industrial property rights, and notably the trademarks and domain names that it uses within the framework of its activities. The Group has implemented a systematic policy for defending its rights but cannot be certain that the measures taken to protect its intellectual property rights will be effective or that third parties are not going to infringe or misappropriate its intellectual property rights.

The Company owns the trademarks "THEOLIA", "THEOLIA L'Énergie Nature", "THEOLIA Sustainability" and "Natenco".

Given the importance of the recognition of the Group's trademarks, any infringement or misappropriation of this type could have a significant negative effect on the activity of the Group, its results, its financial situation, or its ability to meet its objectives.

Furthermore, Natenco has made six applications to register patents. The Group cannot be certain that the patents subject to outstanding applications for registration will be granted.

4.3.3. Risks linked to the legislation and its evolution

The legislation and regulations applicable to the activities of production of electricity from renewable energy sources, currently favourable to the Group, are open to future changes which could be favourable or unfavourable to the Group. No guarantee can be given by the Company as to whether or not these changes will entail additional costs, or whether they will be in accord with the Group's development model.

Although this policy supporting renewable energies has been consistent over recent years, and the European Union regularly reiterates its desire to continue and strengthen this policy, the Group cannot guarantee that it will continue, and notably that the electricity produced by its future production sites will benefit from a statutory purchase option by the established producers and/or distributors, tax incentives, or other measures supporting the production of electricity from renewable sources, or that these measures will not be reduced in the future.

In France, the Company notably cannot guarantee that the wind development zones will correspond to the Company's development projects or that the electricity produced by all its future wind farms will still benefit from a purchase obligation by EDF and tax measures enabling them to be subject to short-term amortisation over twelve months.

Under these conditions, no guarantee can be given as to whether rapid or significant changes to French or European legislation will be made, which could have a significant negative effect on its activity, its financial situation, its results, or its ability to meet its objectives.

4.4. Insurance and risk cover

The Group has established a policy for covering the principal risks linked to its activity and able to be insured, subject to the usual excesses and exclusions imposed by the market. In this way, the Group has paid the sum of € 709K in insurance premiums over the 2007 financial year, compared with € 583K over the 2006 financial year.

Nevertheless, no guarantee can be given as to whether the Group's insurance policies are or will be sufficient to cover any losses resulting from a significant reduction in the electrical production of the Group due to damage to several plants, or absence of replacement solutions or the timescales necessary to establish such repair or replacement. If the Group were to be faced with significant damage for which it was uninsured or which exceeded the threshold of the damages covered, the costs payable by the Group and not covered by the Group could have a significant negative effect on the activity or the financial situation of the Group.

It must be noted that the insurance policies taken out by the companies of the Group are systematically audited within the framework of the financing in place.

The Company benefits, through the insurance company AIG Europe, from operating civil liability and professional civil liability insurance which covers the companies of the Group against the pecuniary consequences of civil liability that they could incur due to bodily injury, material damage and consequential loss resulting from their activities. This cover is notably exercised in the event of damages caused to others due to the companies covered by the insurance contract or due to the things in their care.

The Company has taken out with the company CNA a Company Representatives Civil Liability insurance policy.

The Company holds insurance policies to the benefit of its energy plants during their construction:

- Insurance covering various risks called "All Risks Site Insurance": for the construction period up to acceptance of the works, this insurance policy guarantees all participants in the construction, including the financing body, where appropriate, and covers material damage including fire, breakdown of machinery, explosion of the works (equipment and civil engineering) and financial losses following material damage or a breakdown;
- "Transport" insurance: in some cases, the Company also chooses to take out "Transport" insurance providing cover against material damage to goods transported which constitute "strategic" transports, due to the scale of the consequences on the smooth progress of the site and consequential financial losses;
- "works damages" insurance.

Furthermore, the Group takes out new insurance policies at the beginning of the operating stage. These notably cover fire and related risks, breakdown of machinery, operating losses, operating civil liability and natural disasters.

5. Social and environmental information

5.1. Social information

5.1.1. Workforce of the Group

During the year 2007, the workforce of THEOLIA sharply increased. The growth of the wind sector reflected the continuation of the Group's acquisitions plan and illustrated its desire to take on the human resources necessary to support its growth. All recruitments during the financial year in the wind business were made in the form of permanent contracts.

The workforce of the Group over the last three years has evolved as follows:

	31/12/2007	31/12/2006	31/12/2005
France	150	117	68
Germany	49	36	0
Others	38	7	0
TOTAL	237	160	68

The workforce of the Group includes all employees of the companies included within the scope of consolidation of the Group.

The Group conducts a professional equality policy by organising the recruitment, career management and personal development of employees equitably and without discrimination.

5.1.2. Compensation of employees

The Group sets compensation policy in each country proportional to the level of competence, training, responsibility and performance of each person, and to ensure a standard of living which complies with local legislation in terms of employment law.

In some positions, the compensation comprises a variable part, enabling the employees' compensation to be set in line with the achievement of objectives.

For the financial year from 1st July 2005 to 31 December 2006, the salaries and charges constituted the sum of € 9,993K in the income statement. They constituted the sum of € 23,413K for the 2007 financial year.

A Company Savings Plan was established within the Ventura subsidiary in the last quarter of 2007. The amounts were not known at the time this document was produced.
The principle of the employer's top-up contribution is as follows:

- 80% on the first € 1,000 paid,
- 50% on each subsequent € 1,000.

THEOLIA aims to motivate and retain the loyalty of its employees as well as to attract new talent. With this objective, the Group continues the free share allocation plan for its key employees in France and in its overseas subsidiaries (in the form of free share allocations, cf. 6.2.4). The Company has not set up other plans and employees hold less than 3% of the capital (in the sense of the IAS – Euronext index).

The compensation of the ten best-paid employees totals € 1,160K. Furthermore, the table below shows the free share allocations received by the employees during the 2007 financial year:

	Allocations of free shares
Vincent VAUTIER	50,000
Jean-Paul INGRASSIA	20,000
Jean-François AZAM	12,000
Arne LORENZEN	10,000
Emmanuel GUYOT	10,000
Total	102,000

Free shares granted to employees during the 2007 financial year will be definitively acquired after a period of two years, providing the beneficiary is still employed by the Group.

During the year 2007, no stock warrants were allocated to employees and no stock warrants were exercised by them.

5.1.3. Human resources policy

With regard to the organisation of working time in France, the working time duration applicable to all French subsidiaries corresponds to the law on 35 weekly hours, on the understanding that the terms of organisation differ as follows:

- 39 hour employment contracts: 35 hours + 4 weekly overtime hours
- fixed 218 day contracts with time off in accordance with the National Collective Convention of Metalwork Managers of 13 March 1972 amended.

Absenteeism is very low on a recurrent level. The use of overtime only takes place within the framework of contracts for 39 weekly hours.

With regard to recruitment, the search for new talent takes place without major difficulty. Offers are disseminated on the website of THEOLIA and/or its subsidiaries or by external advertisements. Applicants are qualified and referenced in a CV library. This active sourcing enables profiles to be sought even before publishing an vacancy.

4 dismissals were made in 2007 for sufficient but not serious cause.

The companies of the Group in France have used subcontracting notably through 4 structural contracts for help in prospecting and surveys. Subcontracting is more developed in Germany and Belgium due to the customs of these countries.

With regard to training, all companies use the statutory package with regard to continuing training. These training courses are based around the technical and managerial domains.

With regard to professional relations in France, it should be noted that social dialogue is open and active. The Group is particularly open to direct social dialogue with its employees.

The holding company has performed an election of its Staff Delegates. A statement of deficiency has been written within the Ventura subsidiary for lack of presentation of candidates in this same election.

5.2. Environmental information

Pursuant to article L.225-102-1 of the Commercial Code, THEOLIA must feature in this Report information on the way in which THEOLIA takes account of the environmental consequences of its activity.

The environmental consequences are considered with strict respect for all legal and regulatory standards at the time of granting of the construction permit for each wind farm installation project.

Care given to insertion into the landscape, systematic attention to the natural and human environments, sorting and recycling of waste during the construction period, prevention of pollution risks and supervision of the actions of subcontractors, and measurement and surveillance of environmental impacts (compliance with sound levels, for example) are systematised for each wind project within each subsidiary of the Group.

Furthermore, for the installation of each wind project, specific actions are conducted in favour of the environment, such as ornithological monitoring, protection of nature reserves close to construction sites, rehabilitation of the natural environment, an ecological management plan within regional parks, etc. Lastly, THEOLIA plans, from the launch of each wind project and in terms of technical and financial resources, for the rehabilitation of the area at the end of operation, in compliance with current legislation.

Sustainable development

Through its activity, the THEOLIA Group has demonstrated that it is possible to combine environment and economy.

The Group positions itself as a major participant in sustainable development.

Beyond its financial results and the success of its economic model, THEOLIA develops its activity in respecting a framework of values shared by all its employees. The Group's approach complies with rules of conduct which draw on the ethical principles founded at the origin of the creation of THEOLIA.

THEOLIA's activity, green energy production, is in essence a means of assuring the protection of the environment for sustainable development. In the 2007 financial year, the Group produced more than 835 MW/h of "green" electricity from wind energy, which corresponds to a saving of 491,490 tonnes of CO_2, which equates to the annual CO_2 emissions of 208,940 households.

6. Corporate governance

6.1. Composition of the Board of Directors

First name, surname, address, age	Date of 1st appointment	Expiry of term of office	Position exercised within the company	Principal positions and roles exercised within the Group	Principal positions and roles exercised outside of the Company over the last 5 years
Jean-Marie SANTANDER Traverse de la Sauvageonne - 13400 Aubagne France Age 56	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of THEOLIA SA Chairman of the Board of Directors of SA Ventura Director of Theolia Iberica	Director of AB Fenêtre Chairman of the Board of Directors of Mandarine Groupe Chairman of the Supervisory Board of Somupaca Chairman of Colibri Holding SAS Director of IC Telecom Chairman of the Board of Directors of Energo Environnement
Philippe PERRET 51 rue Arnould - Villa 23 13011 Marseille France Age 45	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008	Director of financial operations	Director of THEOLIA	Director of Mandarine Groupe SA
Arne LORENZEN Les Balcons de la Duranne – App. 327 - 300 avenue du Grand Vallat 13290 Les Milles France Age 45	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008	Director of the energy division	Director of THEOLIA Manager of Theolia Deutschland GmbH Manager of Theolia Verwaltungs GmbH Manager of Theolia Windpark Werbig	N/A
Jacques PUTZEYS 11 rue des Géraniums - 98000 Monaco Monaco Age 57	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008	Chairman of the appointments and remunerations committee	Director of THEOLIA Director of Theolia Iberica Chairman of the Board of Directors of Thenergo	Director of Conporec Director of H2O Innovation

First name, surname, address, age	Date of 1st appointment	Expiry of term of office	Position exercised within the company	Principal positions and roles exercised within the Group	Principal positions and roles exercised outside of the Company over the last 5 years
Louis FERRAN* 2, chemin de Savy 1271 Givrins Switzerland Age 62	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008		Director of THEOLIA SA	
Stéphane GARINO* 28, boulevard de Belgique 98000 Monaco Monaco Age 35	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008	Chairman of the audit committee	Director of THEOLIA	Director of ACTIS SA Monégasque
Éric PEUGEOT* Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd) Switzerland Age 52	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008		Director of THEOLIA	Chairman of Peugeot Belgique Chairman of Peugeot Nederland NV Chairman of Peugeot Portugal Automoveis Director of Établissements Peugeot Frères Director of LFPF Director of IP EST Director of SKF
Georgius HERSBACH* Nieuw, Loosdrechtsedijk 227 1231 KV Loosdrecht Netherlands Age 55	GM of 14 April 2006	GM called to rule on the accounts closed on 31 December 2008		Director of THEOLIA	Chairman and Chief Executive Officer of Heartstream Group BV Member of the Board of Directors of NovaRay, Inc. (since 2006) Member of the Supervisory Board of Global Interface S.A. (since 2005) Member of the EU Enterprise Policy Group - Professional Chamber (since 2001)

First name, surname, address, age	Date of 1st appointment	Expiry of term of office	Position exercised within the company	Principal positions and roles exercised within the Group	Principal positions and roles exercised outside of the Company over the last 5 years
SPRL Sofinan* Belgian company Leopoldlei 94 B2930 Brasschaat, Belgium Represented by: **Norbert Van LEUFFEL** Age 64	GM of 13 October 2006	13 October 2009		Director of THEOLIA whose Permanent Representative is Mr. Norbert VAN LEUFFEL Director of Thenergo whose Permanent Representative is Mr. Norbert VAN LEUFFEL	
Andrew MARSDEN* GE Capital Limited, 50 Berkley Street, LONDON W1J 8HA Age 41	GM of 27 June 2007	GM called to rule on the accounts closed on 31 December 2009		Director of THEOLIA	
Yves MENAT* 33 avenue Boucicaut – 71100 CHALON SUR SAONE Age 58	GM of 27 June 2007	GM called to rule on the accounts closed on 31 December 2009		Director of THEOLIA	Managing Director of GE Energy in France

* independent directors

6.2. Remunerations of company representatives

6.2.1. Remunerations and benefits in kind

The table below details the remunerations and benefits in kind awarded to the current company representatives of THEOLIA during the financial year ending 31 December 2007.

In euros	Gross salary	Bonus	Benefits in kind	Attendance fees
Jean-Marie Santander	412,140	1,597,362	10,588	7,500
Stéphane Garino				20,000
Jacques Putzeys				15,000
Louis Ferran				16,000
George Hersbach				21,500
Arne Lorenzen	132,169	50,000	4,646	
Philippe Perret	123,275	88,832	4,322	
Eric Peugeot				17,000
Sofinan Sprl				20,000

The principles for determining the variable remunerations are presented in the Chairman's report on Internal Control in paragraph 1.6.

The table below details the remunerations and benefits in kind allocated to the current company representatives of THEOLIA during the financial year ending 31 December 2006.

In euros	Gross salary	Bonus	Benefits in kind	Attendance fees
Jean-Marie Santander	408,715	379,498	12,870	24,500
Stéphane Garino	-	-	-	13,125
Jacques Putzeys	-	-	-	33,000
Louis Ferran	-	-	-	10,125
George Hersbach	-	-	-	11,250
Arne Lorenzen	118,445	-	4,639	-
Philippe Perret	150,702	-	3,871	-
Eric Peugeot	-	-	-	7,875
Sofinan Sprl	-	-	-	9,750

The amount of Mr Santander's bonus granted by the Board of Directors was in accordance with the achievement of the objectives for evolution of the stock market price of the Company shares.

6.2.2. Pension commitments and other commitments

The company declares that it has not provisioned or recorded pensions, retirement schemes or other commitments to the benefit of the company representatives during the 2007 financial year.

6.2.3. Stock warrants allocated to company representatives and directors

The following table shows the stock warrants granted to members of the Board of Directors during the 2007 financial year

Beneficiary	Number of stock warrants*	Maturity dates	Price
FERRAN Louis	29,093	19/05/2009	€ 15.28
	29,093	01/01/2010	€ 15.28
GARINO Stéphane	31,451	16/05/2009	€ 15.28
	31,451	01/01/2010	€ 15.28
PEUGEOT Eric	29,093	24/05/2009	€ 15.28
	29,093	01/01/2010	€ 15.28
SANTANDER Jean-Marie	64,000	11/06/2009	€ 15.28
	10,000	12/06/2009	€ 15.28
	80,460	31/12/2012	€ 12.17
SOFINAN Sprl	10,000	19/05/2009	€ 15.28
	29,093	01/01/2010	€ 15.28
PUTZEYS Jacques	10,000	31/05/2009	€ 15.28
TOTAL	382,827		

Parity is 1 stock warrant for 1 THEOLIA share

* Subject to exercising on the date of exercise of a director's term of office within the Company

The following table shows the stock warrants exercised by members of the Board of Directors during the 2007 financial year.

Beneficiary	Number of stock warrants	Date of Board meeting having recorded the exercise
PUTZEYS Jacques	59,350	06/02/2007
	10,000	02/07/2007
HERSBACH George	59,350	06/02/2007
SANTANDER Jean-Marie	9,496	21/03/2007
	99,708	02/07/2007
	10,000	09/11/2007
SOFINAN Sprl	1,000	02/07/2007
	2,000	09/11/2007
TOTAL	250,904	

6.2.4. Free allocations of shares to company representatives and directors

The allocations of free shares granted to company representatives and directors during the 2007 financial year were as follows:

	06/02/2007
LORENZEN Arne	10,000
PERRET Philippe	-
PUTZEYS Jacques	10,000
SANTANDER Jean-Marie	56,215
TOTAL	76,215

6.2.5. Period of retention

The law of 30 December 2006 “for the development of participation and employee shareholders” provides an obligation to retain all or some of the shares attributed to the director until the end of their term of office.
The Appointments and Remunerations Committee has undertaken the application of the said restrictions in these Reports, and the Chairman and Chief Executive Officer, Mr Jean-Marie Santander, has firmly and irrevocably agreed to retain a minimum of 25% of shares originating from these exercises until the cessation of his duties as Chairman of the Board of Directors or Chief Executive Officer.

6.3. Participation of company representatives in the share capital

In euros	Number of shares	% of capital	% of voting rights
Jean-Marie Santander	452,538	1.17 %	1.12 %
Stéphane Garino	36,668	0.09 %	0.09 %
Jacques Putzeys	5,900	NS	NS
Louis Ferran			
George Hersbach			
Arne Lorenzen	10	NS	NS
Philippe Perret	2,000	NS	NS
Éric Peugeot	10	NS	NS
Sofinan Sprl			
Andrew Marsden	1	NS	NS
Yves Menat	1	NS	NS

7. Information about the capital

7.1. Share capital

The shares or securities issued by the Company take the form of bearer shares or registered shares. Registered shares can be converted to bearer shares, in the absence of stipulation to the contrary by law. These shares or securities, whatever their form, must be registered in an account under the conditions laid down by current laws and legislation. The rights over the shares result from a registration in an account under the conditions and in accordance with the terms laid down by current legislative and regulatory provisions.

All shares issued have been fully paid-up; they are of the same category and all have a par value of € 1.

It should be noted that a double voting right to that conferred on the other shares, with regard to the proportion of share capital they represent, is allocated to all fully paid-up shares for which evidence is given of a registered ownership held for at least two years in the name of the same shareholder, either of French nationality or a native of a Member State of the European Union.

At 31 December 2007, the number of shares was 38,681,671 shares for a net total of voting rights of 40,226,294.

The table below shows THEOLIA's current pledging of directly registered shares:

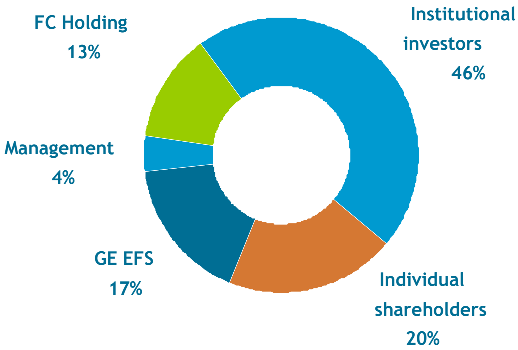
Name of directly registered shareholder	Beneficiary	Start date of pledge	Maturity date of pledge	Condition of lifting the pledge	Number of shares pledged by the issuer	% of capital pledged by the issuer
ALMIRALL Edmond	Crédit du Nord (via the Société Générale)	27/04/2007	-	-	1,363	0.004%
GARINO Stéphane		09/01/2006	-	-	30,000	0.078%

7.2. History of the capital over the last three financial years

The table below details the evolution of the capital recorded in the meetings of the Board of Directors over the last three years.

Date	Nature of the operation	Share capital
01/07/2004	Capital upon opening of the 2004-2005 financial year	1,790,981
16/08/2004	Stock warrant exercise	2,324,315
13/09/2004	Stock warrant exercise	2,325,015
17/10/2004	Stock warrant exercise	2,325,815
20/10/2004	Equity Line	4,433,815
03/11/2004	Stock warrant exercise	4,434,815
18/11/2004	Equity line	4,826,815
03/01/2005	Stock warrant exercise	4,829,115
28/01/2005	Stock warrant exercise	4,831,515
01/03/2005	Equity line	5,567,251
07/03/2005	Equity line	7,810,765
11/05/2005	Stock warrant exercise, conversion of bonds and equity line	8,358,024
17/06/2005	Contribution in kind	8,595,524
28/06/2005	Reserved capital increase	9,595,524
30/06/2005	Capital upon closure of the 2004-2005 financial year	9,595,524
04/07/2005	Equity line	11,176,783
29/09/2005	Reserved capital increase, stock warrant exercise and equity line	11,432,423
28/10/2005	Stock warrant exercise	12,337,371
31/01/2006	Capital increase by public call for savings	15,117,269
27/02/2006	Stock warrant exercise and conversion of bonds	15,289,447
08/05/2006	Stock warrant exercise, equity line and reserved capital increase	18,665,757
11/07/2006	Equity line and stock warrant exercise	18,842,757
11/08/2006	Equity line and stock warrant exercise	18,925,883
27/10/2006	Equity line, stock warrant exercise and PACEO	19,799,813
21/12/2006	Equity line, stock warrant exercise and PACEO	23,585,349
22/12/2006	Contribution in kind	25,403,531
31/12/2006	Capital upon closure of the 2005-2006 financial year (18 months)	25,403,531
06/02/2007	Stock warrant exercise and PACEO	29,254,119
21/03/2007	Stock warrant exercise, equity line and debt offsetting	31,483,409
02/07/2007	Stock warrant exercise, contribution in kind and reserved issue	38,235,117
09/09/2007	Free shares issue and stock warrant exercise	38,273,117
31/12/2007	Capital upon closure of the 2007 financial year	38,273,117
08/01/2008	Recording of stock warrants exercised in 2007	38,681,671

7.3. Share ownership of the THEOLIA Group



The notifications of having crossed the statutory thresholds declared to the AMF for the 2007 financial year are as follows:

Date	Name of holder	Type of crossing	% of capital	% of voting rights
03/01/2007	FC Holding	Upwards	17.56%	16.80%
04/01/2007	Société Générale	Upwards	10.53%	10.13%
		Downwards	0.19%	0.18%
22/01/2007	Mr. Willy BALZ	Upwards	17.70%	16.93%
02/01/2007	Société Générale	Upwards	10.60%	10.13%
		Downwards	5.51%	5.27%
02/02/2007	Mr. Willy BALZ	Downwards	15.07%	14.41%
09/02/2007	Société Générale	Downwards	4.72%	4.51%
23/02/2007	M. Willy BALZ	Downwards	14.93%	14.28%
26/02/2007	Threadneedle Asset Management	Upwards	5.29%	5.06%
28/02/2007	Global Opportunities (GO) Asset Management	Downwards	6.21%	5.93%
02/04/2007	Threadneedle Asset Management	Downwards	4.97%	4.71%
11/04/2007	Insight Management	Upwards	5.06%	4.84%
13/04/2007	Threadneedle Asset Management	Upwards	5.05%	4.78%
19/04/2007	Global Opportunities (GO) Asset Management	Downwards	4.37%	4.11%
19/04/2007	Mr. Willy BALZ	Upwards	17.27%	16.27%
30/05/2007	Morgan Stanley & Co	Upwards	5.23%	5.07%
		Downwards	3.32%	3.21%
03/07/2007	General Electric Company	Upwards	16.90%	16.39%
05/07/2007	Insight Management	Downwards	5.14%	4.97%
09/07/2007	General Electric Company	Downwards	0.00%	0.00%
	GE France SNC	Upwards	16.90%	16.39%
09/07/2007	Mr. Willy BALZ	Downwards	14.11%	13.69%
11/07/2007	Threadneedle Asset Management	Downwards	4.10%	3.97%
17/07/2007	Insight Management	Downwards	4.02%	3.90%
20/07/2007	Merrill Lynch International Investments Funds - New Energy Fund	Upwards	5.09%	4.93%

7.4. Dividends

7.4.1. Overall dividend

The Company has not paid any dividend over the last three financial years.

7.4.2. Future dividend policy

The payment of dividends will principally depend on the income earned by the Company, its financial situation, its investment policy and the reduction of its debt.

7.4.3. Dividend time limit

After a period of five years from their payment, unclaimed dividends revert to the State.

7.5. Operations relating to company securities

During the 2007 financial year, THEOLIA bought 298,354 of its own shares for a sum of 6,685,516 euros, which is an average price per share of 22.408 euros.

These purchases were all delegated to the company Exane BNP Paribas, investment service provider, under the terms of a liquidity contract dated 28 August 2006, amended by the Mixed General Meeting of 29 June 2007.

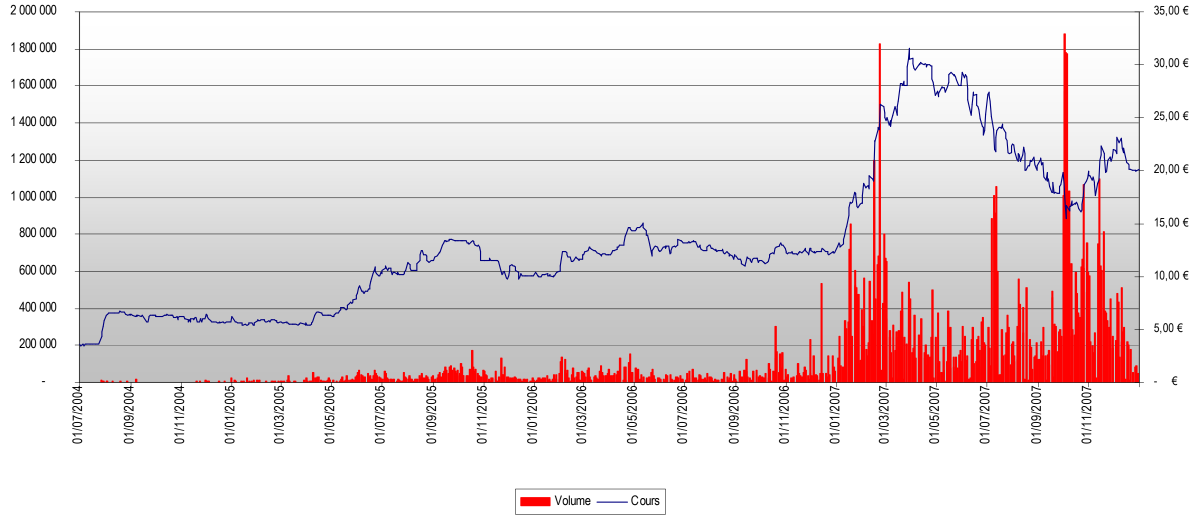
Furthermore, the Company, within the framework of this same liquidity contract, bought 295,969 shares at an average price of 22.306 euros.

At 31 December 2007, the Company held 33,576 own shares, which is 0.09% of its capital.

During the 2007 financial year, trading costs relative to own shares amounted to 15,216 euros for purchases and 14,798 euros for sales.

7.6. Stock market performance indicators

The evolution of the stock market price over these last 3 financial years is presented below.



It should be noted that the Company was floated on Euronext Paris (regulated market) on 31 July 2006. Previously, it was listed on the OTC market.

7.7. Elements that could have an impact in the event of a public offering

7.7.1. Statutory restrictions to the exercising of voting rights and share transfers

At 31 December 2007 the articles of association of the Company did not contain any stipulation limiting share transfers. Subject to the stipulations of article 7 relative to the withdrawal of voting rights in the event of non-respect of obligations relative to the notifications of having crossed the statutory thresholds (crossing of the threshold of 0.5% of capital or voting rights), the articles of association do not contain any restriction to the exercising of voting rights.

7.7.2. Financing agreements concluded by the Company which are amended or terminate in the event of change of control of the Company

Some Company financing packages stipulate early repayment in the event of change of control of THEOLIA. This is notably the case for the OCEANE bonds issued in October 2007, the provisions of which are presented in 4.2.1.4 of this report.

8. Analysis of the results of the parent company (THEOLIA SA)

8.1. Company financial year

It should firstly be noted that the 2007 financial year lasted 12 months, whereas the previous financial year, closing on 31 December 2006, lasted 18 months. All figured comparisons must therefore take account of these different durations in their interpretation.

8.2. Activity

The year 2007 and the development of the Group affirmed THEOLIA SA in its role of holding company.
Following the acquisition of Natenco on 13 December 2006 and the international expansion it induced, the organisation of the holding company was significantly changed with a view to responding to the growing needs of the subsidiaries and optimising their integration.

8.2.1. Integration of subsidiaries

Natenco's arrival in the Group has strengthened THEOLIA's position in Germany and equipped the Group with structures in Brazil, India and countries of Eastern Europe, which can be added to the Spanish and French subsidiaries.
One of the Company's main concerns was then to integrate its new subsidiaries in order to optimise their potential. It was with this in mind that the human resources of the holding company were reinforced, but also that many procedures were put in place. The tools for collecting information necessary for the management and control of the subsidiaries were deployed during the year 2007.

8.2.2. External growth

At the same time as this integration work, the management of THEOLIA continued the implementation of its external growth strategy. This desire for development has led to the acquisition of 165 MW in operation in Germany from the subsidiaries of the GE Group. This contribution of assets, realised on 2 July 2007, has considerably strengthened the operational capacity of the Group. It has also enabled a strategic partner to take an equity shareholding.
Furthermore, and with a desire to implement its geographic diversification strategy, THEOLIA acquired the Maestrale Green Energy company, a leading Italian developer which operates in a particularly attractive market.
It also created a subsidiary in Greece in order to accelerate its development in this area.
It was this same thinking that led to the creation of the Theolia Emerging Market (TEM) company, based in Casablanca and which will ultimately group together all companies based in emerging countries. The Theolia Emerging Market company has already taken a significant stake in the German company Eco$_2$lutions, specialised in the trading of carbon credits.

8.2.3. Raising funds

The management of THEOLIA also aims to ensure financing for external and organic growth by establishing significant fundraising. The total funds raised on the stock market and bond market for the year 2007 amounted to € 329,542K.

8.3. The income statement

All activities deployed by the holding company in 2007 and described above are reflected in the company accounts.

8.3.1. Sales and other income

The sales of the holding company amounted to € 5,968K for the 2007 financial year, compared with € 4,859 for the previous financial year which lasted 18 months.
These sales are comprised of the services invoiced to all subsidiaries as management fees. The increase in this item accounts for the development of the activity of support to subsidiaries. The margin obtained via reinvoicing to the subsidiaries amounted to € 543K.

The "other income" item comes to € 14,607K. It principally comprises the following items:
Transfer of expenditure to the subsidiaries.......... € 210 K
Charges imputed to the issue premium.......... € 5,981 K
Loan issue costs.......... € 6,631 K
Costs of acquisition of holding securities.......... € 1,201 K
Recovery of provision for debts.......... € 576 K
Others.......... € 5 K

The scale of this item is indicative of the activity of the holding company.
In fact, a significant proportion of the costs incurred by THEOLIA is related to external growth or fundraising. Accounting legislation imposes that certain expenses are recorded in expenditure, which are then reclassified in

the balance sheet accounts since they constitute the costs related to the acquisition of an asset or the establishment of financing.
The reclassification of this expenditure in the balance sheet accounts is made by a Transfer of Expenditure account.
Thus, expenditure imputed to the issue premium reduces the equity capital within the framework of the capital increases. The loan issue costs are staggered over the duration of the loan and reclassified in a Deferred Expenses account. Lastly, the costs of acquisition of securities constitute the cost price of the holding.

8.3.2. Operating income

The operating income was € - 10,218 K, compared with € - 4,499 K at 31 December 2006. This variation in the operating income can mainly be explained by the increase in the provisions item.
The Buchen project, the gross value of which amounts to € 3,832K, was 100% provisioned over the financial year due to the uncertainties linked to its completion. This project consisted of the construction and operation of an eco-fuel production plant on the basis of recycling plastics via depolymerization.
Discussions with AWN, supplier of raw materials and in this way partner on the project, and the technical partner Nilltech, Swiss company specialised in the depolymerization of plastics, are currently underway.

A variation of € 1,376K can also be observed in the salaries and social costs item, linked to the reinforcement of the human resources of the holding company.
The operating income is in fact equal to all expenditure not invoiced to the subsidiaries and not transferred.
Analytical accounting enables us to establish that the total expenditure not reinvoiced amounted to € 10,990K, distributed as follows:
Buchen provision .... € 3,831 K
Amortisation of loan issue costs .... € 947 K
Salaries and costs not reinvoiced .... € 2,117 K
Other operating expenditure not reinvoiced .... € 4,095 K

8.3.3. Financial income

The financial income for the 2007 financial year amounted to € 9,537K. It mainly comprises interest payable by the subsidiaries within the framework of intra-group loans and dividends received by Ventura and income from the investment of cash surpluses. The financial expenditure is mainly due to the convertible bond loan issued in October 2007.
Breakdown of financial income in the sum of € 12,077 K:
Interest on advances of funds to subsidiaries .... € 4,636 K
Dividends received .... € 4,971 K
Income from cash investments .... € 1,881 K
Income from bonds .... € 82 K
Income from sale of own shares .... € 505 K
Foreign exchange gains .... € 1 K

Breakdown of financial expenditure in the sum of € 2,539K:
Interest on loans issued .... € 815 K
Expenditure on sale of own shares .... € 289 K
Non-conversion premium .... € 510 K
Amortisation of loan issue costs .... € 947 K
Expenditure originating from cash investments .... € 20 K
Interest on Group c/c .... € 30 K
Non-use commissions .... € 32 K
Foreign exchange losses .... € 2 K

8.3.4. Exceptional income

The exceptional income for the financial year amounted to € - 1,079K. It comprises the following elements.

Losses on client debts..€ - 440 K
Disputes..€ - 112 K
Provision for depreciation of capitalised debts..€ - 375 K
Sale of fixed asset..€ -164 K
Fiscal amortisation..€ - 37 K
Other income and expenditure..€ 50 K

The companies Ferme éolienne d'Asserac and Plaine Montoir (1&2) were sold during the financial year. The debts held over these companies were then sold for 47% of their par value. The balance of € 160K constituted an exceptional loss.

The provisions for depreciation of capitalised debts concern the companies CETRI and CEMAG. An uncertainty as to these wind projects following an initial refusal to issue the construction permit has led the company to provision 25% of advances of funds made to the companies bearing the projects.

8.3.5. Net income

Taking account of a tax income of € 600K linked to tax integration, the income for the financial year amounted to € - 1,151K, compared with € + 413K at 31 December 2006.

8.4. Cashflow statement

The cashflow statement shows an overall change in cash and cash equivalents of € + 158,634K. The opening cash and cash equivalents amounted to € 13,528K at 1st January 2007. Upon closure they amounted to €172,162K.

8.4.1. Activity

The cashflow generated by the holding activity was negative by € 144K for the 2007 financial year (it should be noted that it was negative by € 27,047K for the previous financial year).

The gross cashflow that participated in this cashflow variation was € 6,517K. This comprised the surplus financial income over the holding expenditure that could not be reinvoiced to the subsidiaries.

The variation in working capital requirements was limited to € 6,662K. The WCR was therefore relatively stable over the financial year, after having sharply increased during the previous financial year by € 21,406K.

8.4.2. Finance

The principal inflow was linked to financing and in particular to cash capital increases for € 96,174K and the subscription to the convertible bond loan for € 233,368K.

The various cash capital increases are detailed below, in number of securities issued:

Implementation of the PACEO contract..3,100,000
Offsetting of the FC Holding debt..1,818,182
General Electric cash capital increase..1,212,000
Stock warrant exercise over the financial year..1,881,958
Free shares..16,000

The principal characteristics of the convertible bond loan are described below:

Type of financial instrument: OCEANE bonds

Number of bonds.. 11,538,462
Amount of initial issue..€ 190,000,000
Clause..€ 25,000,000
Additional allocation option..€ 25,000,000
Duration of loan ....30.10.07 / 01.01.14

Annual interest 2.00%
Gross actuarial rate of return... 3.25%

Upon closure of the financial year, the Company did not have the necessary information with regard to the conversion of bonds upon maturity of the OCEANE bond loan. A provision of € 510,000 was therefore constituted for non-conversion of the bonds issued.

8.4.3. Investments

This cashflow has supported the activity of the subsidiaries and their organic growth through loans, the total amount of which granted during the financial year amounted to € 25,526K.
The accumulated cashflow also contributed to the realisation of external growth operations, particularly that of Maestrale Green Energy in Italy for a sum of € 6,761K.
During the financial year, the Company subscribed to the capital in the following companies:
BIOCARB ....€ 806,321
CEFP..€ 11,840
THERBIO ....€ 5,000
Theolia CEE ....€ 1,000,000
Theolia Emerging Markets...€ 900,883
Theolia Grèce...€ 57,000

During the financial year, the Company subscribed to capital increases in the following companies:
THERBIO ....€ 6,860,000
Thenergo ....€ 5,628,376
CS2M ....€ 493,265
Theolia Wind Power India...€ 800,000

During the financial year, the debt held over Natenco Holding (formerly T-Nat) was incorporated into the capital.
Natenco Holding € 88,719,946

Lastly, the company paid FC the sum of € 34,109K which remained due on the acquisition.

8.5. Table of income over the last 5 years

French standards	30/06/2003 12 months	30/06/2004 12 months	30/06/2005 12 months	31/12/2006 18 months	31/12/2007 12 months
Total equity capital	**1,075,043**	**1,227,086**	**28,641,654**	**168,349,952**	**350,035,018**
Balance sheet total	**3,802,416**	**5,161,420**	**45,814,079**	**214,304,936**	**604,525,432**
Capital at end of period					
Share capital	1,790,981	1,790,981	9,723,226	25,403,531	38,681,671
Number of ordinary shares	1,790,981	1,790,981	9,723,226	25,403,531	38,681,671
Priority dividend shares without voting rights	-	-	-	-	-
Maximum number of shares to be created					
By share allocations	-	-	-	423,500	575,715
By bond conversions	88,304	88,304	53,468	-	11,538,462
By subscription rights	-	962,000	5,209,063	2,955,277	4,917,447
Operations and income					
Gross operating income	301,213	1,504,683	6,012,108	12,315,797	20,223,127
Earnings before taxes, participation, net allocation to amortisations and provisions	- 758,300	- 85,088	- 108,008	- 1,678,550	3,235,425
Tax on profits	-	-	-	- 2,737,985	- 608,719
Participations of employees	-	-	-	-	-
Earnings after taxes, participation, net allocation to amortisations and provisions	- 457, 610	151,080	1,062	413,710	- 1,151,491
Appropriated earnings	-	-	-	-	-
Earnings per share					
Earnings after taxes, participation, but before allocation to amortisations and provisions	0.45	0.12	0.01	0.04	0.10
Earnings after taxes, participation, allocation to amortisations and provisions	- 0.26	0.08	0.00	0.02	- 0.03
Dividends distributed	-	-	-	-	-
Staff					
Average workforce	6	6	12	16	20
Amount of payroll	455,587	381,137	840,992	2,514,329	3,575,161
Amount of sums paid in benefits in kind	169,774	143,904	363,211	920,103	1,236,154

9. Annexes to the management report (available soon)

9.1. Chairman’s report on internal control

9.2. Report of the Statutory Auditors on the Chairman’s report on internal control

9.3. Rules of Procedure of the Board of Directors

9.4. Expert report on the management

9.5. Summary table of current delegations granted by the General Meeting in the domain of capital increases