Balance sheet

Earnings statement

Cash flow statement

Statement of changes in shareholders' equity

Notes to the financial statements

Consolidated balance sheet

€ thousands

ASSETS		Notes	31/12/2008	31/12/2007
	Goodwill	9	78,084	120,062
	Other intangible fixed assets	10	94,152	75,474
	Property, plant and equipment	11	341,678	335,240
	Equity interests	12	21,729	63,060
	Other non-current financial assets	13	10,458	50,595
	Deferred tax assets	32	9,483	1,431
Non-current assets			**555,584**	**645,865**
	Inventories and work in progress	14	169,923	42,877
	Trade receivables	15	24,885	87,386
	Other current assets	16	53,900	51,271
	Tax receivables on income	16	3,475	188
	Current share of financial assets	13	296	1,127
	Cash and cash equivalents	17	90,823	326,197
Current assets			**343,302**	**509,046**
	Assets related to discontinued operations	18	19,817	-
TOTAL ASSETS			**918,703**	**1,154 912**
LIABILITIES AND SHAREHOLDERS' EQUITY				
	Share capital	19	39,747	38,682
	Issuance premiums		307,695	307,171
	Other reserves		67,150	106,552
	Net earnings, Group share		(243,343)	(48,262)
	Shareholders' equity – Group share		**171,249**	**404,143**
	Minority interests		(1,489)	277
Shareholders' equity			**169,760**	**404,420**
	Non-current financial liabilities	21	442,581	451,819
	Provisions, non-current share	24	3,844	665
	Personnel benefits	23	61	251
	Deferred tax liabilities	32	22,033	27,557
	Other non-current liabilities		561	-
Non-current liabilities			**469,080**	**480,292**
	Current financial liabilities	21	146,666	90,772
	Provisions, current share	24	16	435
	Trade payables and other current liabilities	25	103,228	137,092
	Tax and social liabilities	25	14,352	28,966
	Corporate tax debt		2,480	12,935
Current liabilities			**266,742**	**270,200**
	Liabilities from discontinued operations	18	13,121	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**918,703**	**1,154,912**

Income statement

€ thousands

	Notes	31/12/2008	31/12/2007
Sales	26	**69,956**	**288,134**
Purchases and changes in inventories		(25,945)	(225,685)
External expenses		(36,540)	(29,008)
Taxes		(1,240)	(986)
Personnel expenses	27	(20,838)	(18,132)
Depreciation and amortization	10/11	(56,346)	(12,313)
Other current operating income and expenses	28	3,656	(1,572)
Current operating income	**26**	**(67,299)**	**438**
Other non-current earnings and expensess	29	(22,584)	22,791
Operating income before impairment		**(89,883)**	**23,229**
Impairment	30	(106,577)	(60,746)
OPERATING INCOME (after impairment)	**26**	**(196,460)**	**(37,517)**
Cost of gross financial debt		(33,009)	(12,577)
Earnings from cash and cash equivalents		6,384	3,062
Cost of net financial debt		**(26,625)**	**(9,515)**
Other financial income and expenses		(12,457)	2,526
Financial income	31	**(39,082)**	**(6,989)**
Share in earnings of associated companies	12	(3,842)	(85)
Tax expenses	32	11,936	(2,777)
Net earnings from ongoing activities		**(227,448)**	**(47,368)**
Earnings net of tax from discontinued activities or in the process of selling	18	(16,650)	(1,257)
NET EARNINGS		**(244,098)**	**(48,625)**
of which, Group share		(243,342)	(48,262)
of which, minority interests		(755)	(364)
Earnings per share	33	(6,12)	0.21
Diluted earnings per share	33	(4,33)	0.19

Cash flow statement

€ thousands

	31/12/2008	31/12/2007
Total net earnings of consolidated companies	**(244,097)**	**(48,625)**
Earnings from discontinued operations	16,650	-
Elim. of amortization, depreciation and provisions	156,680	18,084
Elim. of the change in deferred taxes	(11,936)	2,729
Elim. of selling gains and losses	(4,887)	(932)
Elim. of the share of earnings of companies consolidated according to the equity method	3,842	(83)
Financial expensess	30,819	11,720
Other earnings and expensess without impact on cash	44,863	44,321
Gross self-financing margin (A)	**(8,067)**	**27,214**
Impact of the change in working capital needs related to the activity (B)	(129,193)	2,639
Taxes on separated companies	(8,715)	240
Cash flow related to discontinued operations	(1,751)	-
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**(147,725)**	**30,093**
Acquisition of fixed assets	(46,404)	(48,136)
Acquisition of financial assets	(16)	(104)
Sale of fixed assets	3,045	7,006
Change in loans	36,514	(28,913)
Impact of changes in the scope of consolidation	(64,573)	(66,516)
Cash flow relating to discontinued operations	(2,295)	
Linking account	0	0
NET CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES (b)	**(73,727)**	**(136,663)**
Dividends paid to minorities	(0)	(29)
Treasury shares	373	8
Increase (decrease) in share capital	1,589	96,176
Subscription of borrowings and other debts	102,304	308,813
Repayments of borrowings and other debts	(91,063)	(23,320)
Interest paid	(24,497)	(11,720)
Financing activities with no cash impact	(0)	(468)
Cash flow relating to discontinued operations	(890)	
NET CASH FLOW GENERATED BY FINANCING ACTIVITIES (c)	**(12,184)**	**369,459**
Impact of changes in exchange rates	70	(111)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**(233,567)**	**262,778**
Cash and net cash equivalents at the start	325,920	63,142
Cash and net cash equivalents from discontinued operations at the close	1,533	
Cash and net cash equivalents at the close*	90,819	325,920
CHANGE IN CASH AND CASH EQUIVALENTS	**(233,568)**	**262,778**
* Cash appearing on the balance sheet	90,823	326,197
Bank overdrafts	(4)	(278)
Cash and net cash equivalents at the close	***90,819***	***325,920***

Statement of changes in shareholders' equity

€ thousands

ù	Share capital	Premiums	FX gains and losses	Consolidated reserves and income	Group share, shareholders' equity	Minority interests	Total shareholders' equity
					-		-
Situation as of 01/01/2007	**25,404**	**137,650**	**(9)**	**6,643**	**169,688**	**1,734**	**171 422**
Foreign exchange gains and losses			235		235		235
Treasury shares				8	8		8
Consolidated earnings for the period				**(48,262)**	**(48,262)**	**(545)**	**(48 807)**
Sub-total, earnings and expenses for the period	**-**	**-**	**235**	**(48,254)**	**(48,019)**	**(545)**	**(48 564)**
Increases in share capital	13,278	175,503			188,780		188 780
Free shares				6,245	6,245		6 245
Stock warrants [BSA] allocated to personnel				38	38		38
Stock warrants allocated to board directors				5,514	5,514		5 514
Allocation of capital increase expenses		(5,982)			(5,982)		(5 982)
Convertible bond loan				26,502	26,502		26 502
Contribution of General Electric wind farms				56,490	56,490		56 490
Change in scope of consolidation				5,842	5,842	(912)	4 930
Other reclassifications				(955)	(955)		(955)
Situation as of 31/12/2007	**38,682**	**307,171**	**226**	**58,064**	**404,143**	**277**	**404 420**
Situation as of 01/01/2008	**38,682**	**307,171**	**226**	**58,064**	**404,143**	**277**	**404 420**
Foreign exchange gains and losses			112		112		112
Treasury shares				(709)	(709)		(709)
Consolidated earnings for the period				**(243,342)**	**(243,342)**	**(755)**	**(244 097)**
Sub-total, earnings and expenses for the period	**-**	**-**	**112**	**(244,051)**	**(243,939)**	**(755)**	**(244 694)**
Increases in share capital	1,065	524			1,589		1 589
Free shares				8,045	8,045		8 045
Stock options allocated				1,615	1,615		1 615
Change in scope of consolidation				130	130		130
Other reclassifications				(334)	(334)	(1,011)	(1 345)
Situation as of 31/12/2008	**39,747**	**307,695**	**338**	**(176,530)**	**171,249**	**(1,489)**	**169 760**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

The financial year for which the financial statements are presented began 1 January 2008 and ended 31 December 2008.

The Company and its subsidiaries ("the Group") engage in their activity in the independent production of renewable electricity, primarily of wind origin, and in the sale of power plants to third parties. The Group is also active in the Environment sector.

The Group operates primarily in Europe.

The Group's financial statements were prepared by the Board of Directors on 21 April 2009.

2. Accounting principles

2.1. Statement of compliance

Pursuant to EC Regulation No 1606/2002 of 19 July 2002, the consolidated financial statements for the period from 1 January 2008 to 31 December 2008 were prepared in accordance with the IFRS (International Financial Reporting Standards) system published by the IASB (International Accounting Standards Board) to 31 December 2008, for which the adoption regulation appeared in the Official Journal of the European Union on the date of preparation of the financial statements. The IFRS system includes IFRS standards, IAS (International Accounting Standards) standards, as well as their interpretations (IFRIC and SIC) available at the website http://ec.europa.eu.

The accounting methods applied at 31 December 2008 are consistent with those applied in the previous financial year.

The Group is in the process of analysing the IFRS standards, amendments and IFRIC interpretations published and approved by the European Union on 31 December 2008 and applicable as of 2009. These include:

- IFRS 8 "Operating Segments"
- IAS 23 amended, "Borrowing Costs"
- IFRS 2 amended, "Vesting Conditions and Cancellations"
- IAS 1 revised, "Presentation of Financial Statements"
- IFRIC 13 "Customer Loyalty Programs"; this interpretation does not affect the Group.

IFRS standards, amendments and IFRIC interpretations published but not yet approved by the European Union as of 31 December 2008 are the following:

- IFRIC 12 "Service Concession Arrangements"; the Group has entered into a public service delegation agreement with certain of its subsidiaries. The impact on the financial statements is underway.

- IFRIC 15 "Agreements for the Construction of Real Estate"; this interpretation does not affect the Group.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”; this interpretation does not affect the Group.
- IFRS 3 revised, “Business Combinations".
- IAS 27 revised, “Consolidated and Separate Financial Statements”
- IFRS 1 and IAS 27 amendments, "Puttable Financial Instruments and Obligations Arising on Liquidation".
- IFRS 1 and IAS 27 amendments, “Cost of an Investment in a Subsidiary, Jointly Controlled Entity, or Associate”.

The texts issued by the IASB and adopted by the European Union which may be anticipated in advance include the following:

- Amendment of IAS 23 on borrowing costs. The Group already posts borrowing costs in the construction cost of qualified assets.
- IFRS 8 on operating segments. The impact on the presentation of the financial statements is in the process of being determined.

- **Basis for the preparation of financial statements**

The comparative information is presented, unless indicated otherwise, as of 31 December 2008.
The financial statements are presented in € thousands, unless indicated otherwise, rounded to the next highest thousand.

Pursuant to IFRS 3, the N-1 financial statements presented as a comparison were restated following the final allocation of goodwill. The same is true for the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

The Group notes that the 2009 budget was prepared on a self-financing basis, based on a program of sales of assets and wind projects already underway. Successful progress on this program is a critical factor in the Company's ability to ensure the continuity of its operations over twelve months.
The major assumptions applied relate specifically to:

- The sale of wind farms and projects in France, Germany and Spain;
- The sale of non-strategic assets.

The Group is currently reasonably confident of its compliance with this sales program and therefore of the related schedule of cash inflows.
Nevertheless, in the context of a difficult economic climate, in the event that the asset sales program is carried out late, the Group will benefit from the full possibility of limiting its projected investment program in 2009. It may pursue it by targeting one or more projects.

The Group has thus considered that it is able to prepare its consolidated financial statements in accordance with the convention for ongoing concerns.

- **Correction of error – IAS 8**

Pursuant to standard IAS 8, three errors found in the financial statements of 31 December 2007 have given rise to an adjustment to these same accounts.

i) The acquisition of German equities made at year-end 2007 was presented incorrectly, such that the debts and goodwill were increased in the accounts for the period ending 31 December 2007.

The effect of the adjustment is summarized below.

Balance sheet effect at 31/12/2007

Correction of goodwill:	€ - 2,549K
Correction of current assets (see note 5):	€ - 5,711K
Correction of current liabilities:	€ - 8,260K

These corrections had no impact on the earnings statement.

ii) Moreover, the posting of the convertible bond (OCEANE) commissioned in October 2007 gave rise to a partially incorrect adjustment, such that equity capital, in the accounts of 31 December 2007, was reduced by € 1,129 K, and non-current financial liabilities increased by the same amount.

The effect of the adjustment is summarized below.

Balance sheet effect at 31/12/2007

Correction of equity capital:	+ € 1,129K
Correction of current financial liabilities:	- € 1,129K

These corrections have no impact on the earnings statement

iii) A change in the evaluation of the level of control of the Spanish company Asset Electrica, which is 50% owned by the Company, resulted in a change in consolidation method. The company was reported according to the equity method. This presentation resulted in the following effects on the accounts as of 31 December 2007:

- Tangible assets	€ (9,896) K
- Non-current financial assets:	€ 6,568 K
- Non-current financial liabilities:	€ (3,075) K
- Suppliers:	€ (752) K
- Related companies:	€ (217) K

This change in consolidation method resulted in an increase in net earnings of € 181 K at 31 December 2007.

2.2. Consolidation methods

- **Controlled entities**

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

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

As applicable, adjustments are made to the financial statements of subsidiaries to harmonize the accounting principles used and render them consistent with those of the other businesses within the scope of consolidation.

All intra-group balances and operations are eliminated at the consolidation level.

- **Associated companies**

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

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

The balance sheet value of securities posted in accordance with the equity method includes the cost of acquiring the securities (including goodwill), plus or minus changes in the Group's share of the associated company’s net assets as of the acquisition date. The earnings statement reflects the Group's share in the earnings of the associated company.

- **Business combinations**

The business combinations which have taken place since 1 July 2004 have been posted according to the acquisition method. The cost of business combinations is equal to the total fair values at the date of exchange, delivered assets, incurred or assumed liabilities, and equity instruments issued by the Group, in exchange for control of the acquired company, and of all costs directly attributable to the business combination. If the fair value of the assets and liabilities cannot be determined on the date of preparation of the financial statements, a provisional allocation is undertaken to allow for the determination of Goodwill, which itself is provisional. The final allocation is then applied within a maximum of one year after the date of takeover.

Positive differences between the acquisition cost and the share of fair value of the assets, liabilities and any liabilities identifiable on the date of takeover are posted to assets under goodwill. Any negative differences are posted directly to earnings for the period.

When the agreement on business combinations provides for an adjustment in the purchase price deriving from future events, the amount of this adjustment is included in the cost of the business combination on the date of acquisition if this adjustment is likely, and can be measured reliably.

Upon the sale of a subsidiary or a jointly controlled entity, total goodwill attributable to the subsidiary is included in the calculation of the results of the sale.

Goodwill is not depreciated. According to IAS 36, “Impairment of Assets”, it is subject to an impairment test at least once a year, and more frequently in the case of the appearance of an impairment index. The testing conditions are aimed at ensuring that the recoverable value of a cash generating unit to which the goodwill is assigned or allocated is equal to at least its net book value. If impairment is demonstrated, depreciation is posted to operating income on a specific line known as "Impairment." This depreciation is irreversible.

When additional purchases occur after the takeover, the transaction is considered as a simple securities transaction with minority shareholders: the controlled company's identifiable assets and liabilities are not subject to valuation; the positive or negative variance generated between the acquisition cost and the additional share of the company's net assets acquired is posted directly to the acquirer's equity capital.

2.3. Foreign currencies

The consolidated financial statements are presented in euros, which is the parent company's functional and reporting currency. The functional currency of foreign subsidiaries is generally the local currency.

- Presentation of the financial statements

Balance sheet items for entities located outside the euro zone are converted at the closing exchange rate current in the functional currency and items on the earnings statement are converted at the current average exchange rate of the functional currency.

- Foreign currency transactions

Foreign currency transactions are converted at the current exchange rate on the transaction date.

2.4. Posting of income

Income is posted when the Group has transferred to the buyer the significant risks and benefits inherent to ownership, when it has a share in neither the management nor the effective control of the assigned assets, when it is likely that the economic benefits of the sale will benefit the Group, and that the transaction cost may be valued reliably.

- **Electricity production**

Posted sales of dispatchable plants, wind plants and co-generation plants correspond to the sale of electricity produced and sold to the operator in accordance with various agreements, specifically guaranteeing the sale prices as a function of volumes produced and sold.

Sales of electricity are recognized as a function of quantities produced and delivered during the period.

- **Purchase of wind farms for re-sale**

The margin is determined upon sale of the farm, in proportion to the number of masts sold.

- **Construction, purchase and sale of wind farms**

Construction activities result in the posting of sales and a margin, in advance of the construction work.

- **Financial income**

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

- **Dividends**

Dividends are posted to financial income when the right to receive the dividend is acquired.

2.5. Intangible fixed assets

Intangible fixed assets are posted at acquisition cost less total depreciation and any losses of value.

The cost of borrowings used to finance assets over a long commissioning or manufacturing period is included in the cost of entry of the fixed assets.

Depreciation, calculated as of the date of commissioning of the fixed asset, is posted to expenses in such a way as to reduce the book value of assets over their estimated useful life, according to the straight-line method.

For agreements and licenses, depreciation periods are 15 and 18 years.

The depreciation expenses for intangible fixed assets are posted under the "Depreciation" category on the earnings statement.

Costs applying to projects may be generated internally or be acquired through business combinations.

The principle intangible fixed assets posted by the Group relate to the development costs of various projects related specifically to the operation of wind plants. Projects are valued at production cost. An identifiable intangible fixed asset generated internally resulting from the development of an internal project is posted to the balance sheet if, and only if, the conditions relating to the following are met:

- The project's technical feasibility;
- The intent to complete the intangible fixed asset and to commission it or sell it;
- The capacity to commission or sell the intangible fixed asset;
- The likelihood of generating future economic benefits;
- The availability of technical and financial resources to complete project development;
- The ability to reliably assess the expenses attributable to the fixed asset during its development.

Intangible fixed assets generated internally are depreciated according to the straight-line method over their useful life.

Developments of wind farms are considered intangible fixed assets when the group establishes a program support company to retain development-related rights in order to exploit them itself.
Until this decision is taken, development costs are treated as inventory and work-in-progress.

If the conditions for posting a fixed asset generated internally are not met, development expenses are posted to expenses during the financial year they were incurred.

When the Group acquires wind projects developed by companies subject to a takeover, they are valued at fair value, specifically in accordance with IFRS 3. The intangible fixed asset value thus calculated therefore takes into consideration the value of all agreements acquired.

Most intangible assets consist of wind projects in the course of development. They appear under "fixed assets in progress" and therefore are not depreciated.

The costs corresponding to these projects cease to be capitalized on the date of industrial commissioning. They are then depreciated over the lifetime of the electricity sale agreement (generally over 15 years in France).

2.6. Property, plant and equipment

- **Valuation of tangible assets**

Property, plant and equipment are posted at acquisition cost less depreciation and any losses of value.

Fixed assets acquired within the framework of a business combination are valued at fair value on the acquisition date. At each closing of the accounts, the acquisition cost is reduced by the accumulated depreciation and any depreciation is calculated in accordance with IAS 36 “Impairment of Assets”.

Depreciation, calculated as of the commissioning date of the fixed asset, is posted under expenses in order to reduce the book value of assets over their estimated useful life, in accordance with the straight-line method and on the following bases:

- Construction	20 years
- Hardware and tools (power plants)	15 years
- Hardware and tools	4-10 years
- Improvements and fixtures	5-10 years
- Office materials, computer equipment	3-5 years
- Office furniture	5-10 years

Power plants and wind farms are depreciated over the lifetime of the agreement, i.e., 15 years (France) and 20 years (Germany).

The depreciation expense on fixed assets is posted to the "Depreciation" category of the earnings statement.

The profit or loss resulting from the suspension or decommissioning of an asset is determined as the difference between earnings from the sale and the book value of the asset. The net sales earnings of these non-current items is presented under the category "Other operating income and expenses" on the earnings statement.

2.7. Leasing agreements

Fixed assets financed by means of lease-financing agreements, transferring to the Group virtually all the risks and benefits inherent in owning the leased asset, are posted under assets on the balance sheet at fair value of the leased asset or the restated value of the minimal payments under the lease, if less. The corresponding debt is posted to financial liabilities.

Lease payments are broken down into financial expenses and amortization of the debt in order to obtain a constant periodic rate on the loan balance under liabilities.

The assets covered by a lease-financing agreement are depreciated over their useful life in accordance with the Group’s rules. In case of an impairment index, they are subject to an impairment test in accordance with IAS 36 “Impairment of Assets”.

Leasing agreements in which the lessor retains almost all the risks and benefits inherent in ownership of the asset are simple leases. Payments made under these agreements are posted to expenses on a straight-line basis over the duration of the agreement, corresponding to the lifetime.

Assets currently covered by a lease finance agreement are not significant.

2.8. Impairment

An impairment test is performed:

- Once a year, for indefinite-term assets, especially goodwill, non-depreciable intangible assets, and those in progress;
- Upon the occurrence of impairment indices for other assets.

Except for a specific event, the annual test is applied on the occasion of the annual budget projection and medium-term planning process.

For the purposes of the impairment test, goodwill is allocated to each Cash Generating Unit (CGU) likely to benefit from the synergies of the company consolidation. CGUs corresponding to similar sets of assets in continuous use generate identifiable cash flows independent of the cash flows generated by other assets or groups of assets.

A CGU is a distinct component of the Group whose business it is to provide related products or services and that is exposed to different risks and profitability than those of other CGUs.

The Group's activities fall into the following categories:

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

Wind farm development and construction is sub-divided into as many CGUs as there are countries involved, particularly France, Germany and Italy; this is because of the change in the scope of consolidation. Previously, Development and Construction constituted a single CGU.
This redefinition would not have caused an impairment at the close at 31 December 2007.

Wind power energy generation is also sub-divided into as many CGUs as there are farms in operation.

Non-wind activity is subdivided into as many CGUs as there are legal entities.

Depreciation is posted in accordance with the surplus book value over the recoverable asset value.

Recoverable value is the fair value of the asset (or group of assets) net of selling costs, or utility value, whichever is highest.

Unlike previous years, and to take into account the drop in market values and the increasing scarcity of transactions, the Group has systematically calculated utility value.

Utility value is thus exclusively determined based on future restated cash flows expected from use of the asset (or group of assets).

The projected cash flows used are consistent with the projected business plans prepared by Group management. When it is not possible to establish projections beyond five years, the assumptions for the fifth year are applied to subsequent periods. Projections for wind farms cover the duration of electricity sale agreements.

The principal assumptions applied are the following:

- Projected sales: over the duration of the agreement, without taking into account the possibility of a renewal;
- Terminal value: 20% of the original investment (for developers only);
- Probability rates for effective hours of wind: P75

The rate applied to discount corresponding cash flows is a function of the activities corresponding to each individual goodwill item, and takes into account risks and activities, as well as their geographic location. The rate is determined, according to assets applied, based on the weighted average cost of capital (WACC).

The discount rate applied by the Group is determined for each group of tested assets according to the weighted average cost of capital method. The rate used is 7% for 2008 (between 6% and 7% for 2007).

This rate was determined based specifically on:

- A risk-free rate of: 4.10%
- And a risk premium of: 4.75%

This rate is increased by an additional risk premium for activities located:

- Development and construction of wind farms in Italy: 8%
- Sale of wind electricity in Morocco: 9%

Any impairment is posted on a priority basis under goodwill and then, as applicable, under other CGU activities, prorated for book value. Impairment posted to goodwill is irreversible. Impairment is posted directly to expenses in operating income.

2.9. Inventory and work-in-progress

Inventory is valued at cost or net sale value, whichever is lower.

The cost of inventory of raw materials, merchandise and other supplies consists of the purchase price, excluding taxes, of raw materials, direct labour, other direct costs and general production expenses less discounts, returns and refunds obtained, plus ancillary expenses on purchases (transport, unloading expenses, customs expenses, commission on purchases, etc.). Inventory is valued in accordance with the “first in/first out” method.

Inventory posted by the Group represents certain wind projects in development on which the Group reserves the possibility of a sale prior to commissioning. Net sale value is captured as a function of their degree of progress and the most recent transactions in the business segment. At least annually, and more frequently with the occurrence of impairment indices, the Group analyzes this net sale value. Depreciation is eventually posted to projects for which development is not certain and for which the likelihood of exploitation, either by the Group or by a third party, is not sufficient.

Wind farm developments are considered intangible fixed assets when the Group establishes a program support company to retain development rights in order to exploit them itself.
Until this decision is taken, development costs are treated under inventory and work-in-progress.

2.10. Financial assets and liabilities

Financial assets include long-term investments (non-consolidated holdings and other investment securities), loans and financial receivables, and financial derivative instruments.

Financial liabilities include borrowings and financial debts, bank payables and liability of derivative instruments.

Financial assets and liabilities are posted to the balance sheet under current/non-current assets and liabilities depending upon whether or not their maturity is greater or less than one year, with the exception of derivatives, which are classed under current items. This category also includes non-current financial debts:

- That the Group is planning to repay in advance;
- As applicable, that are due by reason of breach of covenants.

- **Variable-earnings financial assets and liabilities at fair value**

Variable-earnings financial assets and liabilities valued at fair value are designated as such when the transaction is initiated.

These assets are posted at their fair value, and are valued at each accounting closure. This change in fair value is posted under earnings in the category “Other financial income and expenses”.

As an option, the Group may classify certain assets/liabilities in the category of assets/liabilities valued at fair value in the following three cases:

- Elimination or significant reduction of an inconsistency in the asset or liability valuation method;
- Management of the performance of a group of assets/liabilities at fair value, in accordance with documented strategies and management reporting;
- The asset or liability includes an embedded derivative.

In practice, the Group valued at fair value the conversion option included in the convertible bond (OCEANE).

- **Financial assets held to maturity**

This category shows fixed-term assets acquired when the Group has the intention and capacity to hold them to maturity. These assets are posted at amortized cost, and interest posted at the effective interest rate is posted to earnings under “Other financial income and expenses”.

- **Loans and financial receivables**

Loans and financial receivables are valued at amortized cost less any depreciation. Interest valued at the effective interest rate is posted under earnings in the category “Other financial income and expenses.”

- **Financial assets available for sale**

Financial assets available for sale include non-consolidated holdings, as well as investment securities. They are valued at each account closing, at fair value. Unrealized gains or losses are posted under equity capital except in the case of impairment.

When there is an active market, fair value corresponds to market value. By default, fair value is based on adjusted cash flows. If it is not possible to perform such valuations, the value applied corresponds to acquisition cost, less any depreciation.

- **Financial debt and operating debt**

Financial debt and operating debt are valued at amortized cost. Interest calculated according to the effective interest rate method is posted under the category "Cost of gross financial debt" in the earnings statement.

- **Financial Derivative instruments**

- **Type**

The Group may resort to derivative financial instruments (swaps/caps) to hedge against interest rate risk from its variable-rate financing policy.

- **Valuation and posting**

Financial derivative instruments are posted at source at acquisition cost. They are subsequently valued at fair value. The change in fair value of derived instruments is posted to income, unless these instruments are designated as cash flow hedging instruments or net investment. In this case, changes in fair value are posted directly to equity capital for the portion of the hedge deemed effective. The non-effective portion is maintained under financial income.

- **Financial derivative instruments qualified for hedging**

At 31 December 2008, derived instruments contracted by the Group were not considered as hedging instruments, for accounting purposes.

2.11. Trade receivables and other debtors

Trade receivables derive from sales of goods and services realized by the Group within the context of its activity. Other debtors essentially include tax receivables (VAT accounts) and social receivables. These assets are valued and posted initially at fair value.

An impairment is posted when there are objective indicators indicating that amounts owed might not be recovered, in whole or in part. Specifically, for assessing the recoverable value of trade receivables, balances owed at the close are subject to an individual examination and the necessary provisions are applied if a risk of non-recovery is found to exist.

2.12. Cash and cash equivalents

The category "Cash and cash equivalents" includes liquidity as well as immediately available money-market investments subject to negligible risk of change of value.

Money-market investments are valued at market value as of the closing date. Changes in value are posted to earnings from cash and cash equivalents.

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

2.13. Share capital

Common stock is classified as an equity instrument.

Costs directly attributable to the issuance of new shares or options are recognized as shareholders' equity after deducting issuance income, net of taxes.

THEOLIA shares held by the Group are applied against shareholders' equity, until the cancellation or sale of the shares. In the event of a sale of these shares, net revenue from costs directly attributable to the transaction and the tax impact are included in the Group share of attributable shareholders' equity.

THEOLIA is not required to meet capital adequacy ratios.

2.14. Stock warrants (BSAs) and free shares

- **Stock warrants**

The Group allocates stock warrants (BSAs) to members of the Board of Directors. These transactions, for which payment is share-based, and settled in stock, are assessed at fair value (excluding the effects of acquisition conditions other than market conditions) on the allocation date. The fair value calculated on the acquisition date is posted to expenses in accordance with the straight-line method during the rights-acquisition period, based on the number of shares the Group expects it will be required to issue, adjusted for the effects of the rights acquisition other than market conditions.

Fair value is assessed using the most appropriate model (Black-Scholes-Merton or binomial). The life expectancy used in the model was adjusted based on management estimates, the effects of non-transferability, restrictions on conditions of exercise, and information as to the exercise behaviour of members of personnel.

- **Free shares**

The Group allocates free shares to certain of its employees. The value of these shares is determined on the allocation date.

- **Recognition**

Benefits corresponding to rights allocated in the form of stock warrants or free shares are recognized, depending upon the beneficiary:

- As personnel expenses;
- Or as operating income and expenses.

2.15. Personnel benefits

- **Types of schemes**

By legal obligation or custom, the Group contributes to additional pension schemes or other long-term employee benefits. The Group offers these benefits through fixed-contribution schemes.

The only defined-benefit schemes correspond to retirement severance paid to employees of entities based in France.

In the context of defined-contribution schemes, the Group has no obligation other than to pay contributions. Contributions paid to the scheme are posted to expenses for the period.

- **Type of commitments**

- **Severance payments**

Severance payments correspond to the collective agreement applicable to the Group and involve retirement or career-end severance paid in the event of voluntary employee departure or retirement. Severance payments correspond to the defined-benefits scheme.

- **Additional pension schemes**

No additional pension scheme has been approved by the Group to supplement the legal minimum employee pension for its employees or managers.

- **Valuation of commitments**

Contributions to defined-contribution schemes are posted to expenses as they are due for services rendered by employees.

Commitments from defined-benefit schemes, as well as their cost, are calculated according to the projected unit of credit method. Valuations are performed each year. Actuarial calculations are provided by outside consultants.

These schemes are not financed and their commitment is subject to a liability on the balance sheet. The primary scheme relates to career-end severance (retirement severance). Actuarial variances correspond primarily to changes in assumptions and the difference between results according to actuarial assumptions and actual results of defined-benefit schemes. These actuarial variances are posted directly to earnings for the period. Expenses posted to the earnings statement, under operating income, for defined-benefit schemes, include the cost of services rendered during the year, the cost of past services, actuarial variances, and the effects of any applicable scheme reduction or liquidation.

Given its low importance, the financial cost corresponding to the expense of reversing the provision is posted to personnel expenses, under operating income for the period.

Since the Group's creation, defined-benefits schemes in the Group have not undergone any changes that would generate any cost for past services.

2.16. Other provisions

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

Provisions are restated if the time effect is significant. An increase in a time-sensitive provision is then posted to financial expensess.

Within the framework of a restructuring, a provision may only be established if the restructuring was subject to an announcement and a detailed plan or a start of execution at the close of the period.

Litigation (primarily employment-related) is subject to provisions when a Group obligation to a third party exists at the close. A provision is valued as a function of the best estimate of projected expenses.

No dismantling costs are subject to provision, as the Group believes that to date, these costs are not significant, and remain at a level below or equal to the amount that would be incurred by disassembly.
Under current conditions, a zero cost is therefore associated with the dismantling of installed wind farms.

2.17. Borrowings

Borrowings are posted at original fair value, less associated transaction costs. These costs (expenses and premiums from loan issuances) are taken into account in calculating the amortized cost in accordance with the effective interest rate method.

At each closing of the accounts , financial liabilities are then valued at amortized cost in accordance with the effective interest rate method.

Borrowings are broken down into:

- Current liabilities for the portion to be repaid within twelve months after closure;
- And non-current liabilities for payments due after twelve months.

Convertible loans are analyzed as hybrid instruments, with a debt component and an equity capital component. After determining the net cost of issuance fees (amortized cost),

- The debt component is valued with respect to the fair value of the debt instrument, based on market conditions on the issuance date;
- The equity capital component is valued by the difference between amortized cost and the amount of the debt instrument, net of tax.

2.18. Suppliers and other creditors

Trade and other debts are posted at historic cost.

2.19. Deferred taxes

The “Income Tax expenses” category includes tax due for the period and deferred tax included in earnings for the period.

Deferred taxes are determined by using the variable carry-forward method, for temporary differences existing at the close between the tax base of the assets and liabilities and their book value, as well as tax deficits. No deferred liability tax is determined for the initial recognition of goodwill.

A deferred asset tax is posted for tax deficits and unused tax credits to the extent that it is likely that the Group will have future taxable earnings to which these unused tax losses and tax credits might be allocated.

Deferred asset and liability taxes are valued at the tax rates for which the application is expected over the period during which the asset will be realized or the liability settled, based on the tax rates (and tax regulations) adopted or quasi-adopted at the closure date.

Deferred taxes are calculated entity by entity. They are offset when taxes are withheld by the same tax authority and they correspond to the same tax entity (tax consolidation group).

Deferred tax payable is posted as earnings or an expense to the earnings statement unless it corresponds to a transaction or event posted directly to shareholders' equity.

Deferred taxes are presented in specific categories of the balance sheet under non-current assets and liabilities.

2.20. Calculation of current operating income

The earnings statement is presented by type of expenses.

Current operating income corresponds to operating income restated for other non-current earnings and expenses that are unusual or non-recurring, i.e.:

- Impairment of goodwill and fixed assets determined within the context of impairment tests under IAS 36;
- Restructuring expenses or those related to employee adjustment measures constituting significant amounts, relating to major events or decisions;
- Gains and losses from dilution;
- Expenses and earnings that would result from litigation for a significant amount, deployment activities or major capital transactions (expenses involved in incorporating a new activity, etc.);

2.21. Earnings per share

Diluted earnings per share are calculated in accordance with the provisions of IAS 33 “Earnings Per Share”.
These earnings are calculated by taking into account the maximum number of shares that might be in circulation.

2.22. Sector information

- **Information by business segment (primary segmentation)**

The Group is active in the so-called Wind business segments:

- The development and construction of wind-powered electricity generating facilities, on behalf of third parties or the Group.
- The operation of wind farms on behalf of third parties or the Group.

It is also active in the Non-Wind sector, corresponding to other activities (environment, hydraulic, biofuels).

- **Information by geographic region (secondary segmentation)**

Sector information is also presented by geographic segment, with regions corresponding to product sale regions. These regions are:

- France;
- Germany;
- Rest of world (including Italy).

The Sector Information note presents information, by business segment, on products and earnings as well as certain information relating to assets, liabilities and investments.

Sector assets are operational assets used by a segment within the context of its operating activities. They include attributable goodwill, intangible and tangible fixed assets, as well as current assets used in the segment's operating activities. They do not include deferred asset taxes, other holdings, or receivables and other non-current financial assets. These assets are consolidated in the "Non-allocated assets" line.

Sector liabilities are liabilities that result from the activities of a segment, which are directly attributable to this segment, or which might reasonably be assigned thereto. They include current and non-current liabilities, with the exception of financial debts and deferred liability taxes. These liabilities are consolidated in the "Non-allocated liabilities" line.

3. Judgments and estimates

The preparation of financial statements in accordance with the IFRS system requires that Group Management perform estimates and formulate assumptions that affect the book value of certain asset and liability items, earnings and expenses, as well as information contained in certain notes of the Annex.

The key assumptions are the following:

- Likelihood of success and commissioning of the various wind projects;
- Discount assumptions applied in the various valuation models applied;
- Financing assumptions for various wind projects.

Accounts and information subject to significant estimates specifically concern intangible fixed assets, property, plant and equipment, goodwill, other non-current assets, financial derivative instruments, provisions for risks and expenses, and deferred taxes.

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

Certain principles applied require the judgment of Group Management in the choice of assumptions adopted in calculating financial estimates, which by their nature contain a certain degree of uncertainty. These estimates are based on comparable historic data and various assumptions which, depending upon the circumstances, are considered more reasonable and likely.

Below, Management presents the accounting principles used by the Group in preparing the consolidated financial statements, which imply the exercise of its judgment and recourse to estimates, and which have a significant impact on financial statements consolidated under IFRS.

3.1 Property, plant and equipment and intangible fixed assets

The Group resorts to estimates and must use certain assumptions aimed at (i) assessing the expected useful life of the assets in order to determine their depreciation period, and (ii) determining any depreciation applied to the balance sheet value of any fixed asset.
Estimates used to determine the expected useful life of fixed assets are applied by all Group entities.

To ensure the proper valuation of these assets on the balance sheet, the Group regularly reviews certain indicators that would facilitate the performance of any applicable impairment test.

Group Management believes that the performance of annual tests is subject to estimates and judgments because determining recoverable amounts assumes the use of assumptions with regard to the following:

- Determination of the discount rates needed for the restating of future cash flows generated by the assets or the cash generating units;
- Determination of future operating cash flows, as well as their final value;
- The estimated increase in sales generated by the tested assets; and
- The estimated operating margin linked to these assets for the future periods in question.

The assumptions used by the Group to calculate the recoverable value of its assets are based on past experience as well as external data. To determine the future growth rates of earnings generated by a specific asset, the operational margin rates and operational cash flows generated by a specific asset, the Group used each entity's budget as the basis for estimating cash flow for the next five years. For subsequent periods, the fifth-year assumptions are applied.

The estimates for this year concern all tangible and intangible assets taking into consideration the context that led to the asset impairment tests.

3.2 Deferred taxes

The recoverable value of deferred tax assets is reviewed on each closing date. This value is reduced to the extent that it is no longer likely that sufficient taxable profit will be available as to permit the use of the benefit associated with all or part of these deferred asset taxes.

Group Management must consequently identify the deferred tax assets and liabilities and determine the amount of deferred tax assets posted. When a subsidiary has recently posted tax losses, the existence of a profit taxable in the future is assumed to be unlikely, unless the recognition of a deferred tax asset is justified by:

- Losses associated with the occurrence of extraordinary circumstances that will not recur in the near future; and/or
- The prospect of extraordinary gains; and
- Expected future earnings from long-term agreements.

4. Management of risks linked to financial instruments

4.1. Credit risk

According to IFRS 7, credit risk is the risk of financial loss by the Group in the event that a client or a counterparty of a financial instrument defaults on its contractual obligations.

As part of its control of risk of non-payment, and more specifically as part of its wind farm business activities, the Group also seeks to not create or foster dependence on any one of its clients. These strategies currently allow it to identify and manage the exposure inherent in these activities as best as possible.

What is more, the Group regularly assesses its clients' financial soundness by taking into consideration their financial situation, past experience and other factors.

4.2. Liquidity risk

The liquidity risk is the risk that the Group might not be able to meet its obligations in normal conditions or within the normal timeframe. The Group's Financial Management is responsible for liquidity, financing and management of settlements. The Group manages the liquidity risk on a consolidated basis taking into account operational needs. The Management manages the Group's net liquidity on the basis of forecasts taking into account advance cash flows. The Group's cash and cash equivalents are held by closely regulated financial establishments.

At the end of 2008, the Group had consumed the entire convertible loan issued at the end of 2007. The development of market conditions makes it very unlikely that financing will be secured via a capital increase, by conversion of share subscription certificates and/or by resorting to loans.

In this context, the Group has begun to proceed with the sale of non-strategic assets. Indeed, the non-wind assets have been sold or are being sold. The Group is also proceeding with the sale of certain wind assets and projects in order to reinforce its overall cash position and in line with the stratey put in place by the new Management and approved by the Board of Directors.

Thus the Group has:

sold all of the Group's holding in Thenergo, the proceeds of which were not recorded on the date the accounts were closed,

initiated the sales process of the other non-wind assets,

signed a sales protocol for a wind park of 55,5 MW for 81 million euros on 12 November 2008 for a six month period; on the date of closure of the accounts, the sale had not been closed,

put up for sale more than 200 MW of projects in France, Germany and Spain.

The Group continues to concentrate on the planned sales and cost management. Thus, it is working to reconstitute its liquidity position.

4.3. Exchange rate risk

The Group is currently only slightly exposed to exchange rate risk, in so far as the majority of its activities are carried out in the euro zone (particularly France and Germany). However, THEOLIA is developing and investing in certain countries where it will be exposed to exchange rate risk (Morocco, India, Brazil). As of 31 December 2008, this risk is very low and is partially controlled by the management of expenses and revenues in the currency of the entity in question. However, increased exposure to exchange rate risk might have an unfavorable effect on the Group's activity, financial situation and income, or on its ability to meet its objectives.

4.4. Interest rate risk

The financing of wind projects implemented by the Group involves heavy reliance on debt (65% to 90%) at a fixed or variable rate. A significant increase in interest rates could have an impact on the profitability of future Group projects and/or the development of its wind portfolio.

In order to limit this risk, for the loan contracts underway, the Group has implemented a policy of covering interest rate risks using interest rate exchange conditions (rate swaps). From an economic point of view, putting in place interest rate swaps make it possible to convert variable rate loans into fixed rate loans and to protect against variations in the amount of interest payments due on the loan contracts. The wind farms in operation benefit from long-term fixed rates. In general, the banks require coverage of 100% of the total amount of financing over the entire term.

If interest rates increase by 1%, the financial cost would increase by 1,305 thousand euros divided as follows:

Loans France: +143 thousand euros,

Loans Germany: + 1,162 thousand euros.

A significant increase in interest rates could have a significant negative effect on the activity, financial situation and results of the Company or on its ability to meet its objectives.

5. Significant events during the financial year

- **Changes in Group Management**

Chairman and Chief Executive Officer Jean-Marie Santander resigned at the conclusion of the Board of Directors' meeting of 29 September 2008. He is succeeded by Eric Peugeot, director of THEOLIA since 2006, in his capacity as Chairman of the Board of Directors. Marc van't Noordende was appointed Chief Executive Officer of the Company on an interim basis until April 2009, and was confirmed in his duties on a permanent basis.

- **Change of strategy**

On 3 September 2008, the Group's previous management, wishing to benefit fully from the revaluation of the electricity tariff rates in Germany, announced its decision to concentrate on electricity production while maintaining for its own account the maximum number of wind farms developed. That entailed limiting as much as possible or even eliminating totally sales of wind farms to third parties toward the end of the year.
Nevertheless, in light of the absence of secured financing for the execution of this strategy when it was announced and the financial crisis at the time which did not allow for securing the necessary financing on such short notice, the Group's new Management decided to reactivate sales of wind farms to third parties. Given that the sale cycle extends over several months, sales of wind farms should resume in 2009.
There were no sales of wind farms realized in 2008.

- **Cash difficulties**

Since mid-2008, the Group's cash position has tightened considerably owing to an ambitious external growth strategy, the total absence of wind farm sales in Germany and the financial crisis.
To resolve this problem, the Group's new Management and Board of Directors decided as follows:
To put operational assets and wind projects up for sale in France and Germany,
To put up for sale companies in the Group's environmental cluster (Seres Environnement, Ecoval 30 and Némeau) and dispatchable power plants (CS2M, SAPE and SAEE), which are non-strategic activities,
To establish a cost-cutting plan for the entire Group.
In this context, the company THEOLIA SA began restructuring that in particular led to a workforce reduction plan. In this context, the workforce of the holding company was practically halved in the last 6 months.
Furthermore, on 12 November 2008, the Group signed a draft agreement to sell a 55.5 MW wind farm in Germany for 81 million euros. The wind farm, which has been in operation since 2006, includes 37 turbines, each with 1.5 MW of capacity. The draft agreement is valid for a period of six months. As of the date the accounts were closed, the agreement had not been ratified definitively.
Lastly, in the scope of its announced program to sell its non-wind activities, the Group announced on 24 December 2008 the sale of its entire stake (4,716,480 shares) in Thenergo for 15 million euros. The Group retains an option to buy back those shares if it wishes at the price agreed on of 110% of the sale price within 12 months and 120% of the same price within 12 additional months. As of the date the accounts were closed by the Board of Directors, the corresponding debt had not been received. THEOLIA has initiated a legal proceeding to recover this debt. The Group has chosen to depreciate the entire debt in its 2008 accounts.
The interest and the conditions of the divestment program referenced above was the subject of an in-depth analysis by the new Management and approved by the Board.

- **Impairment test**

Because of the economic and financial crisis which greatly increased in the second half of 2008, the problems encountered in the same period, as well as the extremely sharp decline in market capitalization, considered as an indicator warranting the execution of an impairment test, led the Group to conduct fair value tests on all its assets. In a nearly lifeless financial market and in an economy in crisis, with market values no longer having any relevance, impairment tests were conducted to determine useful value.
In application of the standard IAS 36, these tests led to the recognition of a loss in value of 105.6 million euros, noted under operating income (see notes 11 & 30).

- **Cancellation of 2007 sales**

During the financial year, sales of a wind farm and a solar farm in Germany were cancelled because of failure by the buyers to settle. The sales had been recognized in the previous financial year. This cancellation resulted in the posting of negative sales of € 31,400K and a margin loss of € 3,675K.
These projects have been posted to inventory while awaiting a resale.

- **Acquisition of CED**

On 4 January 2008, THEOLIA finalized the acquisition of Compagnie Eolienne de Détroit (CED), majority held by EDF international. This 45 million euro acquisition applied to 100% of the shares of CED and financed entirely with equity. Located in Tétouan, CED has a beneficial interest in a wind farm installed in the Kingdom of Morocco. It includes 84 windmills for total installed capacity of 50.4 MW and was commissioned in 2000.
It is specified that the ONE (Office National de l'Electricité au Maroc) has, in the PPA agreement signed with CED, an option for an early buy out of the company in 2010 should this be justified by economic circumstances.

- **Other acquisitions**

- Acquisition of the SNCs Les éoliennes de Bel Air and Les éoliennes du Plateau, as well as the companies Centrale Éolienne of Chermisey and Beaudignecourt on 31 January 2008.
- Purchase of the interest held in the SNCs L'Ardèche and Le Charmois on 31 January 2008.
- Acquisition by Maestrale Green Energy of the companies Avalon Ltd on 18 February 2008, Belmonte Green Energy Srl on 18 March 2008 and Mendecino Green Energy S.r .l. on 25 July 2008.

Repurchase of minority interests

-
- The Group has bought back shares of TEM (THEOLIA Emerging Markets) held by Jean-Marie Santander. This transaction was executed at par value. As of the closing date, the Group was not yet the owner of the shares. The transaction was completed in early 2009. The Group now holds almost all the shares of this company.
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6. Events subsequent to closing

- **Change to the scope of activities**

Increase of shareholding in Theolia Emerging Markets

The company THEOLIA SA carried out the repurchase of the securities of the company Theolia Emerging Markets held by Jean-Marie Santander. This operation was performed at the nominal value of the securities.
The agreement signed at the end of the financial year was accompanied by conditions precedent, exclusively benefiting THEOLIA, not exercised at year-end.
These conditions have been lifted and as of 14 January 2009, the Group holds 95.24% of Theolia Emerging Markets[1] shares, compared to 47.62% previously.
As indicated in the press release of 17 November 2008, the stock market listing project of Theolia Emerging Markets has been cancelled.

Closure of subsidiaries

In a communication on 29 January 2009, the Management presented the key concepts of the Group strategy. In particular, it explained that after a lengthy review of its geographical positioning, THEOLIA will focus on three principal markets: Italy, France and Germany. In Germany, the Group continues its renegotiations with FC Holding, its privileged partner for the realization of wind farm sales.
Given their major growth potential, the Group has identified India and Brazil as key potential future markets; however, the Group will confirm its commitment in these countries by the end of the year. In Morocco, THEOLIA is currently in the process of renegotiating its relations with its local partner.
Finally, the Group has announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia.

- **Changes within the Board of Directors**

On 29 January 2009, the Group announced the resignation of Mr Philippe Perret from his functions as director. Mr Philippe Perret was the Executive Deputy Chairman of Finance of THEOLIA until 13 October 2008.
On 13 February 2009, the Group announced the resignation of Mr Arne Lorenzen from his functions as director. This resignation came about in accordance with the Company's recent decision to no longer include members of the Management team within the Board of Directors. Mr Arne Lorenzen, Executive Deputy Chairman of Operations of THEOLIA, retains his operational functions. He joined the Group in January 2006. Mr Eric Peugeot, Chairman of the Board of Directors of THEOLIA, thanked Arne Lorenzen for his contribution to the development of the Company in his role as director.

- **Appointment of Mr Marc van't Noordende as permanent CEO of THEOLIA**

At the start of April 2009, the Board of Directors decided to renew, for an unlimited period of time, the term of office of the CEO of THEOLIA, Mr Marc van't Noordende, after a period of six months as provisional CEO.

7. Change in the scope of consolidation

At 31 December 2008, the scope of consolidation included, in addition to the parent company:

- 129 companies in which it holds exclusive control directly or indirectly (versus 112 at 31 December 2007);
- 8 companies in which it exerts considerable influence (versus 3 at 31 December 2007).

The complete list of these companies is provided in Note 36 "List of Group Companies".

[1] The remaining share capital is held by the local management.

8. Business combinations

Assets and liabilities acquired previously

- **General Electric "GE" wind farms**

In € thousands	Wind farms (GE)	Goodwill	Adjustment to Goodwill	Price adjustments	Allocation of Goodwill	GE wind farms (GW allocated)
Acquisition date	*02/07/2007*					
Goodwill		32,147	5,661		(21,910)	15,898
Intangible assets	4,590				28,700	33,290
Property, plant and equipment	178,079					178,079
Non-current financial assets	376					376
Deferred tax assets	-					-
Inventories	-					-
Trade receivables	2,014					2,014
Other current assets	58,107		(5,711)			52,396
Cash and cash equivalents	10,922					10,922
Non-current financial liabilities	173,744				(2,600)	171,144
Other non-current liabilities	-					-
Current financial liabilities	17,375					17,375
Provisions	-					-
Suppliers and other creditors	3,037					3,037
Earnings tax and social security liabilities	3,264					3,264
Deferred tax liabilities	1,140				9,390	10,530
Total net assets acquired	**55,528**	**32,147**	**(50)**	**-**	**-**	**87,625**
Stock purchase price	87,675			(50)		87,625
Acquisition costs	-					-
Total acquisition costs	**87,675**	**-**	**-**	**(50)**	**-**	**87,625**
Net goodwill	**32,147**		**5,661**	**(50)**	**(21,910)**	**15,848**

The recognition of the acquisition of the GE wind farms resulted in a provision allocation in the accounts at 31 December 2007.

The final allocation takes into account the recognition of the following items on the balance sheet:

- Electricity sale rights: € 28,700K
- Fair value of non-current liabilities: € (2,600)K
- Corresponding deferred taxes: € 9,390K

Impairment tests conducted at the close led to an impairment in electricity sale rights of € 5,233K

- **Biocarb (manufacture of biofuels)**

The goodwill in the amount of € 1,354K recognized at 31 December 2007 was increased by € 13K over the year.
The goodwill of €1,367 K is considered final and was fully amortized at the end of the year because of the indices of impairment identified.

- **Maestrale Green Energy (wind park developer in Italy)**

In € thousands	Maestrale Group	Goodwill	Price adjustments (1)	Allocation of Goodwill	Maestrale Group (GW allocated)
Acquisition Date	***22/11/2007***				
Goodwill		5,831	23,078		28,909
Intangible assets	2,498				2,498
Property, plant and equipment	2,222				2,222
Non-current financial assets	3,615				3,615
Deferred tax assets	5				5
Inventories	583				583
Trade receivables	163				163
Other current assets	1,857				1,857
Cash and cash equivalents	538				538
Non-current financial liabilities	6,673				6,673
Other non-current liabilities	1				1
Current financial liabilities	487				487
Provisions	29				29
Suppliers and other creditors	3,342				3,342
Earnings tax and social security liabilities	19				19
Deferred tax liabilities	0				-
Total net assets acquired	**931**	**5 831**	**23,078**	**-**	**29,840**
Stock purchase price	5,560		23,078		28,638
Acquisition fees	1,202				1,202
Total acquisition cost	**6,761**	**-**	**23,078**	**-**	**29,839**
Net goodwill	**5,831**		**18,703**	**-**	**24,534**

(1) price supplement

The goodwill reported at 31 December 2007 in the amount of € 5,831K was increased by € 23,078K during the year and corresponds to the price supplements related to the building permits for the Giunchetto, Guigianello and Pergola projects and the probable settlement of the dispute on the Martignano project.

The Maestrale Group's acquisition agreement stipulates that price supplements will be paid for obtaining the building permits for the first 100 MW. The calculation is determined so that the value of each MW developed is € 500K. In practice, the amount of the price supplement will be € 500 K/MW minus the development costs already invoiced by the developer.

Thus, the additional goodwill reported continues to be allocated to Maestrale Green Energy and represents the company's capacity to develop and sell wind farms and the future profits that will result from these activities.

- **Principal assets and liabilities acquired during the financial year**

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

In € thousands	Compagnie éolienne du Détroit	Bel Air wind farm	Plateau wind farm	Other acquisitions	Other acquisitions	Other acquisitions
Acquisition date	***04/01/2008***	***31/01/2008***	***31/01/2008***	***France***	***Italy***	***Germany***
Goodwill						
Other intangible assets	31,084	-	-	3,000	1,964	-
Property, plant and equipment	118	9,371	9 125	941	42	-
Equity interests	-	-	-	-	-	-
Other non-current financial assets	21	-	-	-	-	-
Deferred tax assets	-0	25	17	2	0	3
Inventories and work in progress	615	-	-	-	-	11
Trade receivables	1,964	282	256	-	-	2
Other current assets	618	39	46	193	151	400
Tax receivable on earnings	-	-	-	-	-	-
Financial assets, current portion	-	-	-	-	-	-
Cash and cash equivalents	2,559	404	495	25	1	7
Non-current financial liabilities	1,009	6,806	6,803	6	-	-
Provisions, non-current portion	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	461	-
Other non-current liabilities	-	-	-	-	-	-
Current financial liabilities	5,124	3,750	3,103	3,484	-	172
Provisions, current portion	36	-	-	-	-	-
Suppliers and other creditors	350	85	401	692	220	253
Earnings tax and social security liabilities	461	66	73	-	-	1
Tax liability on companies	-	-	-	-	-	-
Total net assets acquired	**29,998**	**- 586**	**- 441**	**- 21**	**1,478**	**- 5**
Stock purchase price	44,236	760	760	4	1,478	2
Acquisition costs	1,148	37	38	-	-	-
Total acquisition cost	**45,384**	**797**	**798**	**4**	**1,478**	**2**
Goodwill	**15,386**	**1,383**	**1,239**	**25**	**0**	**7**

Other acquisitions represent the following companies:
- France: SNC Ardèche, Charmois, Chermisey and Beaudignecourt
- Italy: Belmonte, Avalon and Mendicino
- Germany: WP Stolzenhain and Schenkendoebem

The intangible assets of CED have been valued using the DCF method. This valuation did not lead to an impairment of tangible assets. The goodwill from the acquisition of CED, € 15,386K, is thus definitive and was subject to an impairment of -€ 14,950K (see note 9).

The intangible assets of the companies Bel Air and Plateau wind farms have been valued using the discounted future cash flow method. This calculation did not result in a revaluation of the value of the intangible assets. The goodwill from the acquisition of these two companies, € 2,622K, is thus definitive and was subject to an impairment of € 2,499 (see note 11).

The acquisitions made in Italy were the Belmonte, Mendicino and Avalon companies. The price paid is the value of the development completed on the projects carried by these companies. Thus, the goodwill calculated has been allocated to intangible assets.

The aggregates of the main entities acquired are as follows (over a full year):

In € thousands	Compagnie éolienne du Détroit	Bel Air wind farm	Plateau wind farm
Sales	6,352	1,034	990
Net earnings	(592)	(396)	(430)

9. Goodwill

- **Change in the item**

	Gross value	Impairment	Net value
Values at 31/12/2007	**201,011**	56,490	**144,521**
Error correction	(2,549)		(2,549)
Allocation of Goodwill	(21,910)	-	(21,910)
Values at 01/01/2008	**176,552**	**56,490**	**120,062**
Impairment	-	80,605	(80,605)
Business combinations	18,040	-	18,040
Price supplement	23,028	-	23,028
Other changes	(1,844)	-	(1,844)
Reclassification of discontinued operations	(3,622)	(3,024)	(598)
Values at closing at 31/12/2008	**212,155**	**134,071**	**78,084**

	Value at 31/12/2008
Net value of goodwill at 31/12/2007	120,062
Impairment	(77,581)
Business combination	18,040
Price supplement (Italy)	23,028
Discontinued operations	(3,622)
Other changes	(1,844)
Net value of goodwill at 31/12/2008	**78,084**

- **Allocation of goodwill by Cash Generating Unit**

Categories	Gross value	Impairment	Value at 31/12/2008	Net value at 31/12/2007
Development and construction of wind farms, France	2,681	-	2,681	2,652
Development and construction of wind farms, Germany	80,711	(44,606)	36,105	80,704
Development and construction of wind farms, Italy	28,909	-	28,909	5,831
Development and construction of wind farms, Spain	1,650	(1,645)	5	4,390
Wind energy production activity	96,529	(86,145)	10,384	21,188
Non-wind activity	1,674	(1,674)	0	5,297
Total	**212,155**	**(134,071)**	**78,084**	**120,062**

Wind energy production is composed of as many CGUs as wind farms in operation.

10. Intangible and tangible fixed assets

▪ Intangible assets

	Project in development	Development costs (1)	Software and similar rights	Other intangible assets	TOTAL
Gross values at opening on 01/01/2008	**30,306**	**15,373**	**376**	**34,221**	**80,276**
Acquisitions and assets generated internally	4,637	588	156	4,081	**9,462**
Business combinations	4,964	-	-	47,900	**52,864**
Decrease	11	-	-	(1,265)	**(1,254)**
Currency adjustment	(2)	-	-	617	**615**
Other changes	1,071	(4,843)	229	6,100	**2,557**
Reclassification of discontinued operations	(443)	(7,356)	(159)	(16)	**(7,974)**
Gross values at 31/12/2008	**40,130**	**4,176**	**602**	**91,638**	**136,546**
Total depreciation and amortization at 01/01/2008	**(233)**	**(356)**	**(231)**	**(3,981)**	**(4,802)**
Amortization	-	(321)	(181)	(4,667)	**(5,169)**
Depreciation for impairment	(9,854)	(7,311)	(5)	(5,286)	**(22,456)**
Business combinations	-	-	-	(16,816)	**(16,816)**
Reversals on sales	-	-	-	1	**1**
Currency adjustment	13	-	-	(244)	**(231)**
Other changes	(106)	120	(112)	(522)	**(620)**
Reclassification of discontinued operations	246	7,380	69	4	**7,699**
Total depreciation and amortization at 31/12/2008	**(9,934)**	**(488)**	**(460)**	**(31,511)**	**(42,394)**
Net value at 01/01/2008	**30,073**	**15,017**	**145**	**30,240**	**75,474**
Net value at 31/12/2008	**30,196**	**3,688**	**142**	**60,127**	**94,152**

(1) Most of the item covers the development costs of wind projects

The gross value of current wind projects rose by € 9,824K, which is due to acquisition transactions, the progress on projects developed internally and allocations of goodwill.

Acquisitions and assets generated internally and completed during the financial year, representing € 4,637K, primarily concern the progress on wind projects currently under development in France for € 1,830K and in Italy for € 2,790K.
The business combination transactions for € 4,964K primarily represent the acquisition of two projects in France (Chermisey and Beaudignecourt) for € 3,000K and three projects in Italy (Belmonte, Mendicino and Avalon) for € 1,965K.

Depreciation for impairment of projects in development concerned primarily:
- the wind project in Almeria (PESSA) in the amount of € (8,700) K because of a recoverable value of € 2,800K,
-certain projects located in France for € (953) K because of the existing risks.

The gross value of the development costs declined by € (11,197) K, which was primarily due to the classification under IFRS 5 of the assets of Ecoval 30 and Seres Environnement as "discontinued operations". As these operations were discontinued, the gross amount of the assets at year end was reclassified to a specific line of the balance sheet for € (7,356) K.

The balance of the item represents reclassifications between accounts made on certain wind farms in Germany.

Impairment for loss of value of € (7,311) K primarily represents Ecoval 30 and is to be reconciled with the reclassification as discontinued operations.

The gross value of the other intangible assets in progress increased by € 57,417K because of business combinations and reclassifications made on certain wind farms in Germany.
Over the year, the Group acquired the concession agreement of Centrale éolienne du Détroit (CED) for a gross amount of € 47,900K, for which the total amortization was € 16,816) K.

The final allocations of the acquisition prices made on a provisional basis are recognized on the "Gross values at opening" line and represent the wind farms acquired from GE (see Note 2.1).

11. Property, plant and equipment

	Lands	Fittings & fixtures	Projects under construction	Technical facilities (1)	Assets under concession	Other tangible assets	TOTAL
Gross values at opening on 01/01/2008	**5,522**	**1,472**	**13,817**	**315,193**	**10,990**	**5 819**	**352 813**
Acquisitions	37	617	27,015	6,543	328	1 028	**35 568**
Assets generated internally							**-**
Industrial commissioning	-	-	(10,463)	10,463	-	-	**-**
Business combinations	-	830	941	19,241	-	24	**21 036**
Decrease	-	-	(174)	(1)	(5)	(196)	**(376)**
Currency translation adjustment	-	49	(109)	4	-	(23)	**(79)**
Other changes	1,227	474	(4)	39,844	-	(2 522)	**39 019**
Reclassification discontinued operations	(49)	-	(926)	(2,937)	(11,313)	(579)	**(15 804)**
Gross values at 31/12/2008	**6 737**	**3,442**	**30,097**	**388,350**	**-**	**3 551**	**432 177**
Total depreciation and amortization at 01/01/2008	**-**	**(337)**	**(266)**	**(14,821)**	**(770)**	**(1 379)**	**(17 573)**
Depreciation	-	(374)	-	(20,864)	(558)	(632)	**(22 428)**
Impairment	-	(812)	(3,847)	(9,489)	(3,850)	(140)	**(18 138)**
Business combinations	-	(96)	-	(1,340)	-	-	**(1 436)**
Reversals on sales	-	-	-	-	1	108	**109**
Currency translation adjustments	-	(7)	-	(2)	-	5	**(4)**
Other changes	(1,220)	(38)	181	(37,268)	-	(261)	**(38 605)**
Reclassification discontinued operations	-	-	85	1,908	5,177	405	**7 576**
Total depreciation and amortization at 31/12/2008	**(1,220)**	**(1,664)**	**(3,847)**	**(81,876)**	**-**	**(1 894)**	**(90 499)**
Net values at opening on 01/01/2008	**5,522**	**1,135**	**13,551**	**300,372**	**10,220**	**4,440**	**335 240**
Net values at 31/12/2008	**5,517**	**1,778**	**26,250**	**306,474**	**-**	**1,657**	**341 678**

(1) Most of the item covers the wind farms in operation

The main changes on property, plan and equipment were for projects under construction and technical facilities (wind farms).
The gross value of the projects under construction rose € 16,280K due to progress on the Grand Camp and Plateau de Ronchois wind projects (France), for a total of € 5,563K, along with the progress on the Guinchetto and Martignano projects for a total of € 10,403K.
Based on the recoverable value of the Almeria project in Spain (PESSA), an impairment in the amount of € (2,593) K was reported during the year.

The technical facilities increased by € 73,157K. This change reflects the following operations:

- Acquisition of wind farms (Germany)	€ 4,140K
- Acquisition of a delivery station (Germany)	€ 2,100K
- Commissioning of the Sallen wind farm	€ 10,463K
- Acquisition of the Bel Air and Plateau wind farms	€ 19,158K
- Reallocation of the values between gross and net	€ 37,021K

The impact of the reclassification of assets on the "discontinued operations" line of the balance sheet primarily reflects the assets licensed and held by Ecoval 30.

11. Impairment of goodwill, intangible and tangible assets

- **Methodology used for impairment tests**

The economic and financial crisis which intensified significantly in the second half of 2008, as well as the difficulties encountered by the Group during the same period, along with the very intense deterioration in market capitalization were considered by the Group as impairment indices that resulted in the performance of impairment tests.

None of these indices existed at the previous closing date.

Given the economic context at the end of 2008 and the absence of an active market in the second half of 2008, the recoverable value of the assets was determined solely on the basis of discounted cash flows (DCF), excluding the reference to market values, which was the case until now. These DCF were able to be corroborated, as necessary, with the negotiations on sales in progress.

The tests were performed in November 2008 and updated on the basis of accounting assets at 31 December 2008.

- **Comments on the impairment taken**

○ **Development and Construction Activity/CVW**

The assets of Natenco GmbH were treated separately from the CVW CGU to which this entity belongs, given the operations in progress which would eventually lead to a loss of control. The result is that the impairment of € 44,606K is not set off with the other assets of this CGU.

The Spanish assets (intangible and tangible) carried by the PESSA company (wind farm under construction) were impaired on the basis of a net sale price estimated by the Group's Management, on the basis of current negotiations, of € 4,000K. The result is an impairment of € 1,645K.

○ **Electricity Sale Activity, Germany**

At the end of GE's spin-off of the wind farms completed in 2007, there was a recording of an initial goodwill of € 88,637K, revised to € 72,388K after final allocation. This amount was depreciated by € 56,490K at close of 2007.

The downward revision of the business assumptions led to a decrease in the corresponding discounted cash flows, generating an additional impairment on:

- The GE farms in the amount of: € 21,864K
- The other farms in the amount of: € 5,514K

A total impairment of: € 27,379K

- **Electricity Sale Activity, France**

Two farms located in France (Bel Air and Plateau) resulted in an impairment of € 2,518K, chargeable to:

- Goodwill: € 2,499K
- Property, plant & equipment: € 19K

- **Electricity Sale Activity, Morocco**

The calculations performed using discounted future cash flows on the basis of actual and provisional operating data led to the recognition of an impairment of € 14,950K, chargeable in its entirety to goodwill.

- **Non-Wind Activity**

Impairment was recognised on the following goodwill and assets:

- Biocarb: € 1,777K
- Theolia Première Nation (Canada): € 831K
- Ecoval Technology (construction of water treatment plants): € 109K
- Windream One € 502K

representing a total impairment of € 3,219K for the Non Wind Activity.

This impairment was on goodwill.

- **Sensitivity to the assumptions used**

	Impairment at + 1%	Impairment used	Impairment at - 1%
Development and construction of wind farms in Germany	(49,316)	**(44,606)**	(38,351)
Development and construction of wind farms, Italy	(15,268)	-	-
Wind energy generation activity	(59,482)	**(44,846)**	(31,133)
TOTAL	(124,455)	**(89,452)**	(69,484)

The impact of the recognized depreciations on net income is detailed in note 30.

12. Associated companies

At 31 December 2008, the income/loss of entities consolidated under the equity method represented the following companies:

In € thousands	% of control	Share of net position from associates	Share of income/loss from associates
Erneuerbare Energie Ernte Vier Gmbh	48,00%	(110)	(110)
Naturstromez	48,00%	-	-
Ecolution	35,29%	24,772	(232)
THEOLIA India Wind Power	50,00%	646	(140)
THEOLIA Sitac Wind Power	50,00%	0	(0)
Asset Electrica	50,00%	(3,579)	(3,360)
Total at 31/12/2008		**21,729**	**(3,842)**

In 2008, this item changed as follows:

	Ecolutions	Asset Electrica	EEEV	THEOLIA Wind Power (inc. interests)	Total
Value of stock at end of preceding year (amount published)	31,080	-	(1)		31 079
Change in method of consolidation of Asset Electrica		(216)			(216)
Value of the stock at beginning of financial year	**31,080**	**(216)**	**(1)**	**-**	**30 863**
Allocation of goodwill	(5,734)				(5 734)
Change in method of consolidation of THEOLIA Wind Power (India)				1,118	1 118
Group share of income/loss	(232)	(3,360)	(109)	(140)	(3 842)
Other changes	(342)	(3)		(332)	(677)
Value of the stock at financial year end	**24,772**	**(3,579)**	**(110)**	**646**	**21 729**

The main financial data for associated companies is as follows:

	Ecolutions	Asset Electrica	EEEV	THEOLIA Wind Power (of which participations)	Total
% held	35.21%	50.00%	48.00%	50.00%	2
Financial data at 100%					-
Sales	243	6,655-	203	118	7,219
Operating expenses	(2,590)	(13,124)	(134)	(211)	(16,059)
Net earnings	(1 385)	(6,719)	(229)	(280)	(8,613)
- Group share of consolidated earnings	(232)	(3,360)	(109)	(140)	(3,842)
Goodwill	10,031	4	-	-	10 035
Shareholders' equity at 31/12/2008	39,880	(7,159)	(229)	1,391	33,883
- Group share of equity	14,042	(382)	(110)	696	14,245
Value of the stock in associates	**24,772**	**(3,579)**	**(110)**	**646**	**21,729**

The result for Asset Electrica is primarily related to the depreciation recorded on the assets held in the amount of € 8,723K (100% holding), on the basis of the recoverable value estimated by the Group's Management.

The value of the Ecolutions goodwill is based on the business plans presented by the company's management and the future profits that will result from the development of its activities.

13. Financial assets

31/12/2008	Note	Financial assets available for sale	Loans and receivables	Assets at fair value through earnings			Balance sheet total
				Marketable securities	Hedging derivatives	Derivatives not booked as hedges	
Non-current financial assets							
Non-consolidated equity interests		2,909					2 909
Other non-current financial assets			7,184				7 184
Deposits and securities			364				364
Total non-current financial assets		**2,909**	**7,548**	**0**	**0**	**0**	**10 458**
Current financial assets							
Trade receivables	15		24,885				24 885
Loans			243				243
Deposits and securities			53				53
Marketable securities and other current financial assets	17			24,874			24 874
Cash and cash equivalents	17		65,949				65 949
Total current financial assets		**0**	**91,130**	**24,874**	**0**	**0**	**116 004**
Total		**2,909**	**98,678**	**24,874**	**0**	**0**	**126 462**

31/12/2007	Note	Financial assets available for sale	Loans and receivables	Assets at fair value through earnings			Balance sheet total
				Marketable securities	Hedging derivatives	Derivatives not booked as hedges	
Non-current financial assets							
Non-consolidated equity interests		1,025					1 025
Other non-current financial assets			49,570				49 570
Total non-current financial assets		**1,025**	**49,570**	**0**	**0**	**0**	**50 595**
Current financial assets							
Trade receivables	15		87,385				87 385
Current derivative instruments						1,128	1 128
Cash and cash equivalents	17		326,197				326 197
Total current financial assets		**0**	**413,582**	**0**	**0**	**1,128**	**414 710**
Total		**1,025**	**463,152**	**0**	**0**	**1,128**	**465 305**

- **Financial assets, maturing 31/12/2008**

31/12/2008	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
Non-consolidated securities	-	-	2,909	2,909
Other financial assets				
Related receivables	243	15	1,997	2,255
Other non-current receivables	-	-	5,172	5,172
Deposits and securities	53	209	155	417
Financial assets	**296**	**224**	**10,233**	**10,753**

- **Financial assets, maturing 31/12/2007**

31/12/2007	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
Non-consolidated securities	-		1,026	1,026
Other financial assets	-			
Related receivables	69	6,566		6,635
Loans	13			13
Other non-current receivables	37,897	3,719		41,616
Deposits and securities	-		280	280
Other non-current financial assets	-		1,025	1,025
Derivative products	1,127			1,127
Financial assets	**39,106**	**10,285**	**2,331**	**51,722**

- **Analysis**

Non-current financial assets include the loans made to customers of Natenco Gmbh in the context of wind farm sales. At the close of the financial year, the net amount of these loans was € 5,182K compared with € 41,616K at the end of the previous year. This sharp decline is due to two factors: the absence of any new loans and the cancellation of the sales of the Weimar and Merzig farms.

Current financial assets include the current portion of the loans made to customers of Natenco as well as the hedging derivatives on bank borrowings. During the year, these derivatives changed negatively, which led to recognition of their fair value as a liability on the Group's balance sheet.
The receivables related to equity interests primarily represent the advances made to THEOLIA Wind Power India for € 1,997K.

Securities available for sale totalled € 2,909K and primarily represent units in investment funds because of the setting up of a bank debt.

14. Inventory

Wind projects	137,033	39,766
Other energy projects	12,954	1,635
Materials	25,565	1,730
Impairment	(5,629)	(254)
Net value	169,923	42,877

Following the decision made by the previous Management to retain the proprietary projects, sales of wind farms to third parties by the Natenco company were halted and the Group recorded no wind farm sales in 2008. Named on 29 September 2008, the new Management of the Group decided to reverse this decision and to reactivate the sales of wind farms to third parties, which should resume in 2009.
Thus, the wind projects acquired during the year by Natenco Gmbh and its subsidiaries for € 82,976K have been posted to inventory pending their sale in 2009. At the close of the financial year, they totalled € 112,997K. This includes the cancellation of the Weimar sale which resulted in an increase in project inventory by € 14,285 K. Based on its recoverable value of 13,000K, this project was impaired for € (1,285) K.

In addition, the cancellation of the sale of the Merzig solar farm resulted in an increase of project inventory by€ 12,900K.
The inventory of materials for € 24,761K primarily represents Natenco Gmbh, which sells spare parts for the wind farms.

In the first half of the year, THEOLIA acquired Suzlon turbines for a total of € 20,110K. Because of the decline in their recoverable value, impairment of € (3,119) K was recognized at year-end.

The breakdown of the wind project inventory by geographic region is as follows (gross value):
- France € 22,843K
- Germany € 112,997K
- Other € 1,193K

15. Trade receivables

- **Change**

	Gross value 31/12/2008	Provisions 31/12/2008	Net value 31/12/2008	Net value 31/12/2007
Trade receivables	28,276	(3,391)	24,885	87,386
Total	**28,276**	**(3,391)**	**24,885**	**87,386**

Trade receivables (gross) from the wind activities in the amount of € 28,276K can be broken down as follows:
- Germany: € 21,424K
- France: € 4,171K
- Other countries: € 2,681K

The provisions recognized are primarily for the receivables related to the business of selling wind farms.
The impairment to be posted was calculated receivable by receivable based on date and the level of risk estimated by management.

- **Maturities 31/12/2008**

31/12/2008	Outstanding amounts not due	Outstanding amounts due			TOTAL
		0 to 6 months	6 to 12 months	> 12 months	
Trade receivables	7,739	5,559	6,869	7,219	**27,386**
Doubtful trade receivables	-	-	42	848	**890**
Provision on trade receivables	-	(472)	-	(2,919)	**(3,391)**
Total trade receivables	**7,739**	**5,087**	**6,911**	**5,148**	**24,885**

The receivables due are primarily on transactions realized in Germany.

The outstanding amount less than 6 months old is primarily for electricity sales made in December 2008.

The outstanding receivables for more than 12 months represent receivables on sales of wind farms made by Natenco in 2007 in the amount of € 4,497K, and fees on the wind-farm management activity for third parties.
All receivables were subject to an analysis of non-collection risk. One for depreciation of receivables was recorded for those receivables at risk.

16. Other current assets

	Gross value 31/12/2008	Impairment 31/12/2008	Net value 31/12/2008	Net value 31/12/2007
Trade payables and instalments	24,196	(10,000)	14,196	8,779
Receivables on the sale of assets	15,000	(15,000)	-	-
Tax receivables (ex corporate tax)	32,579		32,579	21,775
Social security receivables	100		100	33
Current accounts	190	-	190	789
Other debtors	3,513	(575)	2,938	15,932
Prepaid expenses	3,824		3,824	3,891
Currency translation adjustments, assets	73		73	72
Total	**79,475**	**(25,575)**	**53,900**	**51,271**

The advances and installments paid to reserve turbines total € 10,826K for Germany.
A reduction in the cost of the turbines on non-Group projects led to the recognition of credits receivable for € 2,731K for the Ventura company (France).
A € 10,000K installment on turbines was recognized for a wind project. Because this project was abandoned, this advance had been provisioned in its entirety at closing.

Receivables on the sale of assets represent the sale of the Thenergo shares by the Group at the end of the year. The non-collection from Hestiun of this receivable, which on the closing date of the accounts was due in mid-January 2009, resulted in an impairment on the entire receivables of € (15,000) K.

The tax receivables primarily represent deductible VAT not yet paid on the acquisitions of projects or wind equipment, including:

- Turbines acquired by THEOLIA SA: € 4,198K
- Wind projects acquired in Germany (Natenco Gmbh): € 15,894K

17. Cash and cash equivalents

▪ Position

	31/12/2008	31/12/2007
Marketable securities (net)	24,874	160,684
Cash equivalents	65,949	165,513
Total cash and cash equivalents	**90,823**	**326,197**
Bank loans	(4)	(278)
Net cash	**90,819**	**325,919**

▪ Breakdown of available/unavailable cash

	31/12/2008
Available cash	34,223
Cash available with limits	10,346
Pledged cash	46,250
Total cash and cash equivalents	**90,819**

At 31 December 2008, available cash totalled € 34,223K, including € 9,218K at THEOLIA SA (cash available at holding) and € 25,005K in the subsidiaries. This cash is designated specifically for the operating activities of the companies with limited possibilities of elevation to the holding level.

Cash available with limits amounted to € 10,346K and only affects the subsidiaries. It was not able to be centralized at the Group parent company level because of restrictions related to operational projectfinancing.

Frozen cash amounted to € 42,250K, including € 9,929K at THEOLIA SA and € 20,960K in its subsidiaries. This cash is not available and has been pledged by most of the companies.

Investments amounted to € 24,874K, including € 15,093K for THEOLIA SA, and represent completely secure investments which can be analyzed as follows:

- 77% money market SICAV;
- 20% variable rate negotiable medium-term notes (BMTN) indexed to the EONIA;
- 3% tradable certificates of deposit, maturing in less than three months, with guarantee of capital and interest rate.

The policy for managing financial risks is presented in Note 4 to the financial statements.

18. Assets held for sale, operations discontinued, sold or available for sale

In the context of its restructuring, the Group decided to sell all non-strategic assets: primarily, the assets of the non-wind activities. This decision was reflected in a decision by the THEOLIA Board of Directors in November 2008. At 31 December 2008, the divestment process was moving forward, since negotiations are now in progress.

The assets and liabilities affected, representing a single activity, are recognized in the following companies:
Environmental division

- Seres environnement
- Ecoval 30
- Nemeau
- Therbio

Dispatchable power production plants

- CS2M
- SAPE
- SAEE

The potential sale of these assets was recognized in the annual financial statements for the year ended 31 December 2008 pursuant to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".
Thus, all transactions for the year relating to the environmental division and the dispatchable plants were combined on the account line "Net earnings from operations held for sale." The assets and liabilities were combined on a line in the assets and liabilities of the balance sheet "Assets/Liabilities from discontinued operations."
The assets were impaired on the basis of the their likely sale price. An impairment of € (5,696) K was therefore recognized.

As these operations have been discontinued, the earnings statement for the year ended 31 December 2007 was restated to present accounting information established in accordance with IFRS 5.

- **Balance sheet information**

In € thousands	THEOLIA Group before IFRS 5 31/12/2008	IFRS 5 Restatements	THEOLIA Group restated IFRS 5 31/12/2008
Goodwill	78,682	(598)	78,084
Intangible assets	94,428	(275)	94,152
Investment property			
Property, plant & equipment	349,908	(8,229)	341,678
Equity interests	21,685	44	21,729
Non-current financial assets	10,560	(102)	10,458
Deferred tax assets	9,959	(476)	9,483
NON-CURRENT ASSETS	**565,221**	**(9,637)**	**555,584**
Inventories	172,655	(2,732)	169,923
Trade receivables	28,361	(3,477)	24,885
Other current assets	55,746	(1,846)	53,900
Current taxes	3,596	(121)	3,475
Current financial assets	422	(126)	296
Cash and cash equivalents	92,701	(1,878)	90,823
CURRENT ASSETS	**353,481**	**(10,180)**	**343,302**
Assets held for sale		19,817	19,817
TOTAL ASSETS	**918,703**		**918,703**
Capital	39,747		39,747
Additional paid-in capital	307,695		307,695
Reserves	67,150		67,150
Income/Loss	(243,343)		(243,343)
Shareholders' equity – Group share	**171,249**		**171,249**
Minority interests	(1,489)		(1,489)
Shareholders' equity	**169,760**		**169,760**
Non-current financial liabilities	448,419	(5,838)	442,581
Deferred tax liabilities	22,033		22,033
Provision for pensions	499	(438)	61
Provisions (non-current)	4,001	(158)	3,844
Other non-current liabilities	681	(120)	561
Non-current liabilities	**475,633**	**(6, 553)**	**469,080**
Current financial liabilities	148,368	(1, 703)	146,666
Provisions (current)	16		16
Suppliers and other creditors	106,191	(2, 963)	103,228
Earnings tax and social security liabilities	16,254	(1, 902)	14,352
Current taxes	2,480		2,480
Current liabilities	**273,310**	**(6, 568)**	**266,742**
Liabilities for assets held for sale		13 ,121	13,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**918,703**		**918,703**

- **Information on the earnings statement**

At 31 December 2008

In € thousands	THEOLIA Group before IFRS 5 31/12/2008	IFRS 5 Restatements	THEOLIA Group restated IFRS 5 31/12/2008
Sales	**82,633**	**(12,678)**	**69,956**
Other income from ordinary operations	6,106	(58)	6,049
Income from ordinary operations	88,739	(12,735)	76,004
Purchases and changes in inventories	(29,229)	3,284	(25,945)
Asset production	588	(588)	
External expenses	(42,676)	6,136	(36,540)
Personnel expenses	(25,977)	5,139	(20,838)
Earnings and other taxes	(1,647)	407	(1,240)
Net amortization, depreciation and provisions	(57,003)	657	(56,346)
Other operating income and expenses	(2,068)	(324)	(2,393)
Current operating income	**(69,274)**	**1,975**	**(67,299)**
Impairment	(121,197)	14,621	(106,577)
Other non-current income and expenses	(22,934)	349	(22,584)
Operating income	**(213,406)**	**16,945**	**(196,460)**
Cost of net debt	(26,988)	363	(26,625)
Other financial income and expenses	(12,780)	324	(12,457)
Financial income/loss	**(39,769)**	**687**	**(39,082)**
Share of income/loss of associates	(5,003)	1,160	(3,842)
Taxes	14,079	(2,143)	11,936
Net earnings/loss from continuing operations	**(244,099)**	**16,650**	**(227,448)**
Net earnings/loss from activities held for sale		(16,650)	(16,650)
NET EARNINGS	**(244,098)**		**(244,098)**
Group share	(243,342)		(243,342)
Minority interests	(755)		(755)

At 31 December 2007

In € thousands	THEOLIA Group before IFRS 5 31/12/2007	IFRS 5 Restatements	Adjustments	THEOLIA Group restated IFRS 5 31/12/2007
Sales	**306,481**	**(18,347)**		**288,134**
Other income from ordinary operations	2,191	(319)		1,873
Income from ordinary operations	308,672	(18,665)		290,007
Purchases and changes in inventories	(230,784)	5,099		(225,685)
Asset production				
External expenses	(34,746)	5,694	44	(29,008)
Personnel expenses	(23,413)	5,276	5	(18,132)
Earnings and other taxes	(1,139)	152		(986)
Net amortization, depreciation and provisions	(18,383)	1,814	4 ,256	(12,313)
Other operating income and expenses	(3,458)	13		(3,445)
Earnings from continuing operations	**(3,251)**	**(617)**	**4,305**	**437**
Impairment	(56,490)		(4,256)	(60,746)
Other non-current earnings and expenses	21,014	1,777		22,791
Operating income	**(38,726)**	**1,160**	**49**	**(37,518)**
Cost of net debt	(10,086)	571		(9,515)
Other financial income and expenses	2,146	67	314	2, 526
Financial income/loss	**(7,941)**	**637**	**314**	**(6 ,989)**
Share of income/loss of associates	589	(492)	(182)	(85)
Taxes	(2,729)	(49)		(2 ,777)
Net earnings/loss from continuing operations	**(48,807)**	**1,257**	**181**	**(47,370)**
Net earnings/loss from activities held for sale		(1,257)		(1, 257)
NET EARNINGS	**(48,807)**		**181**	**(48, 627)**
Group share	(48,262)			(48, 262)
Minority interests	(546)		181	(364)

Adjustments include the impact of the consolidation of Asset Electrica using the equity method, representing € 181K to net income, and the reclassification of the impairment on assets under "net amortization, depreciation and provisions" to "impairment".

19. Share capital and minority interests

Share capital

- **Number of shares outstanding**

	Par value (€)	Number of shares at 01/01/2008	Shares created through exercise of BSA	Number of shares at 31/12/2008
Number of shares	1	38,681, 671	1,065,321	39,746,992
Number of securities	**1**	**38,681, 671**	**1,065,321**	**39,746,992**
Share capital		**38,681, 671**	**1,065,321**	**39,746,992**

Incl. 91,579 own shares

At 31 December 2008, the capital consisted of 39,746,992 shares with a par value of € 1.

A double voting right is granted to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder, either a French national, or a national of a Member State of the European Economic Area.

No dividend was paid, either before or after the closing date.

Minority interests

For the most part, minority interests relate to rights of a banking partner who accompanies the Italian company, Maestrale Green Energy, in its development of a wind farm project in Italy and then its completion, notably through the obtention of a loan. Their partner is also involved in the project support company to the level of the sums contributed. At the close, the portion in the balance sheet of this shareholder ,€ 1,164K, is less than the loan obtained.

20. Share-based payments

- **Summary of changes in stock warrants**

	31/12/2008
Stock warrants that may be exercised at 31 December 2007	**4,339,014**
Allotted during the financial year	155,823
Exercised during the financial year	554,187
Balance at 31 December 2008	**3,940,650**

The fair value of stock warrants is estimated on the allotment date, using the Black and Scholes binomial model or, if applicable, the model developed by J. Hull and A. White. Stock warrants issued during the period have been valued on the basis of the following assumptions:

Amounts in euros except where otherwise indicated	6 May 2008	28 June 2008
Fair value of the warrant	€ 11.36	€ 3.10
Share price	€ 22.45	€ 19.55
Exercise price	€12.95	€ 14.64
Expected volatility	48.00%	48.00%
Dividends expected	0%	0%
Risk-free interest rate	4.10%	4.10%

The expense recognized for the period in the amount of € 1,615K reflects:

- Stock warrants granted over the period: € 1,493K
- Stock warrants granted earlier: € 122K

- **Details of the stock warrants**

	STOCK WARRANTS DA06	STOCK WARRANTS EP06	STOCK WARRANTS JMSPC06	STOCK WARRANTS LF06
Subscription price	0.0001	0,0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28
Exercise deadline	17-May-12	24-May-12	11-June-12	19-May-12
Parity	1	1	1	1
Balance	7,000	29,093	64,000	29,093

	STOCK WARRANTS SO06	STOCK WARRANTS SG06	STOCK WARRANTS bis	STOCK WARRANTS CS4	STOCK WARRANTS CS5
Subscription price	0.0001	0.0001	0.00039	0,000	0,000
Exercise price	15.28	15.28	3.90	4.85	4,85
Exercise deadline	19-May-12	16-May-12	02-May-10	5 yrs from sub.	
Parity	1	1	1.187	1.187	1.187
Balance	7,000	31,451	300,000	50,000	50,000

	STOCK WARRANTS EP07	STOCK WARRANTS LF07	STOCK WARRANTS SO07	STOCK WARRANTS SG07	STOCK WARRANTS GF
Subscription price	0,0001	0,0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28	15.28
Exercise deadline	01-Jan-13	01-Jan-13	01-Jan-13	01-Jan-13	28-June-09
Parity	1	1	1	1	1
Balance	29,093	29,093	29,093	31,451	18,000

	STOCK WARRANTS GE1	STOCK WARRANTS GE2	STOCK WARRANTS JMS PC 800M	STOCK WARRANTS SG 08	STOCK WARRANTS LF 08
Subscription price	0.001	0.001	0.0001	0.0001	0,0001
Exercise price	16.50	17.50	12.174	12.95	12,95
Exercise deadline	03-Jan-11	02-Jan-12	31-Dec-12	02-Jul-13	02-Jul-13
Parity	1	1	1	1	1
Balance	1,500,000	1,500,000	80,460	31,451	29,093

	STOCK WARRANTS EP 08	STOCK WARRANTS SO 08	STOCK WARRANTS PC 880 M 2008
Subscription price	0.0001	0.0001	0.0001
Exercise price	12.95	12.95	15.64
Exercise deadline	02-July-13	02-July-13	31-Dec-12
Parity	1	1	1
Balance	29,093	29,093	37,093

Pursuant to the provisions of IFRS 2 concerning share-based payments, only the plans granted after 7 November 2002 have been valued and recognized as personnel expenses.

The conditions for exercising the stock warrants are as follows by category of stock warrant:

Stock warrant CS 4: hold an office in the company at 31 December 2008
Stock warrant CS 5: hold an office in the company at 31 December 2009
Stock warrant LF/SG/EP/SO 07: serve on the company's Board of Directors

At the end of the financial year, those conditions have still been met.

- **Free shares**

Free shares were allotted on the following dates:

- In 2005: 16,000
- 13 October 2006: 407,500
- 6 February 2007: 175,215
- 8 January 2008: 100,000
- 30 January 2008: 313,500

giving a total of 1,012,215 shares

The bonus share allotments were valued on the date of allotment (€ 18.69 for the allotment of 8 January 2008 and € 16.61 for the allotment of 30 January 2008).

The expense of € 8,045K posted for the period represents:

- Shares allotted in 2007: € 969K
- Shares allotted in 2008: € 7,076K

The expense still to be charged over 2009 for the free shares is € 66K.

21. Financial liabilities and derivative financial instruments

- **Change in borrowings and financial liabilities**

	Borrowings from credit institutions	Convertible bond	Debt on finance leases	Bank overdrafts and equivalent	Other financial liabilities	TOTAL
Values at opening on 01/01/2008	**346,261**	**195,953**	**26**	**278**	**73**	**542,591**
Increase	102,818	9,086	-	-	8,225	**120,129**
Redemption	(85,150)	(816)	(19)	68	(7,147)	**(93,064)**
Business combinations	19,614	-	-	-	5,928	**25,542**
Currency translation adjustment	12	-	1	-	16	**29**
Other changes	(6,869)	-	-	(341)	1,230	**(5,980)**
Values at 31/12/2008	**376,686**	**204,223**	**8**	**5**	**8,325**	**589,247**

The change in financial debt of € + 46,656K is primarily due to the following operations:

Increase in borrowings from credit institutions: € 102,818K

- Financing of projects for sale to third parties: € 63,980K
- Financing of proprietary wind plants: € 28,140K
- Subscription of a line of credit by THEOLIA for CED: € 5,255K
- Financing of non-wind activities: € 3,251K
- Financing of Natenco GmbH: €1,510K
- Interest accrued € 681K

Decrease in borrowings from credit institutions: € (85,150) K

- Financing of projects for sale to third parties: € (34,570) K
- Financing of proprietary wind plants: € (34,415) K
- Financing of Natenco GmbH: - € (6,779) K
- Financing of non-wind activities: € (4,250) K
- Repayment of loan taken by CED: € (5,137) K

Change in borrowings with credit institutions following acquisition transactions: € 19,614K

- Borrowing lines of the Bel Air and Plateau wind power plants: € 14,490K
- Borrowing lines of CED: € 5,124K

Change in borrowings with credit institutions as a result of reclassification in liabilities related to discontinued operations: € (6,869) K

- Borrowing lines of the environmental division: € (6,361) K
- Borrowing lines of dispatchable plants € (507) K

The change in the OCEANE convertible amount for € 8,270 K is related to the payment of 2007 interest in the amount of € (816) K, and the recognition of additional interest because of the hybrid nature of the borrowing (existence of a debt and equity component) and the application of the effective interest rate.

Increase in other financial liabilities: € 8,225K

- Negative fair value of the hedging derivatives (SSP France borrowings): € 7,821K
- Financing of Natenco GmbH: € 174K
- Other € 230K

The increase in other financial liabilities following business combinations, i.e. € 5,928K, represents shareholder current accounts. They were repaid over the year for the same amount.

- **Covenants**

The borrowings contracted to finance the construction of the wind farms (France) carry an obligation to meet a ratio of operating cash/borrowing maturity. At the end of the year, the Group met its obligations.

The contract for the issue of the OCEANE bond stipulates:

- Continued control of the parent company of the Group;
- The shares of the Company must continue to be listed on Eurolist by Euronext;
- Payment default on a financial debt or security for a financial debt of the Company or one of its major subsidiaries in an amount at least equal to 1 million euros will result in the compulsory repayment of the debt.

In the case of one project operating in France and financed independently, the minimum debt service cover ratio was not met. Failure does not, however, result in compulsory repayment; before that happens, the ratio must also not be met for the coming financial year. This was not the case on the closing date of the accounts. The 2009 provisional ratio is above the minimum required. The amount of the debt in question is € 6,803K.

In addition, one lender has been informed of the breach of the covenant (debt/equity ratio) on a € 10M financing line on Natenco Gmbh. Discussions are in progress on the issuance of a waiver by the bank for the financial year 2008 exceptionally affected by the suspension of the sales of wind farms. These discussions are not expected to conclude before mid-2009.

Apart from these two exceptions, the other main financial covenants were met at the close of the financial year.

- **Analysis of borrowings by maturity – Nominal**

	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
	Current	Non-Current		
Borrowings from credit institutions	138,339	96,792	141,555	376,686
Convertible bond	-	-	204,223	204,223
Debt on finance lease	-	8	-	8
Sub-total borrowings	**138,339**	**96,800**	**345,778**	**580,917**
Bank overdrafts and equivalents	4	-	-	4
Other financial liabilities	8,323	-	3	8,326
Total financial liabilities	**146,666**	**96,800**	**345,781**	**589,247**

The short-term debt in the amount of €138,341K corresponds to the financing of wind projects. It has the following features:

- Short-term portion of the long-term debt(1) € 23,359K
- Current borrowings related to financing of Natenco Gmbh activity € 34,340K
- Non-current borrowings classified entirely as short-term (2) € 66,987K
- Borrowings being refinanced € 13,655K

(1) Concerns the project financing to be repaid within 12 months for wind farms in operation and under construction.

(2) The non-current borrowings attached to wind farms in Germany in operation or nearing completion; whose sale is planned for 2009.

Other financial liabilities include the negative fair value of the derivatives hedging the rate risk on the loans for € 7,947K.

- **Analysis of borrowings by maturity – Financial cost**

	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
	Current	Non-Current		
Borrowings with credit institutions	(20,950)	(55,478)	(32,465)	(108,893)
Convertible bond	(14,506)	(65,525)		(80,031)
Debt on finance leases	-		-	-
Total Borrowings	**(35,456)**	**(121,003)**	**(32,465)**	**(188,924)**

The financial cost at less than one year attached to the bond represents € 4,800K in disbursable interest. The balance is related to the application of the effective interest rate.

- **Analysis by rates**

	31/12/2008	31/12/2007
Fixed rate	381,070	435,858
Variable rate	208,177	113,537
TOTAL	**589,247**	**549,395**

- **Convertible loan**

Amount repayable:

The Group has the option of early repayment as of 1 January 2012.

Year	Amount repayable	# of shares	Unit value
01/01/2014	260,111,549	11, 538,462	22,5430
l01/01/2012	253 ,151,549	11, 538, 462	21,9398

The use of the Effective Interest Rate results in the recognition of an additional expense as follows:

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

The put in place in this contract may be exercised in 2013.

- **Derivative financial instruments**

The derivative instruments established to manage the rate risk on the variable rate borrowings are recognized at their fair value at 31 December 2008 through income.

The valuation of the interest rate swaps at 31 December 2008 as recognized amounts to € (7,947) K compared to € 1,128K at 31 December 2007.

22. Information on the fair value of financial assets and liabilities

Pursuant to the provisions of IFRS 7, the fair value of the financial assets and liabilities, as well as their book value on the balance sheet, are summarized in the table below.

In € thousands	31/12/2008		31/12/2007	
	Book value	Fair value	Book value	Fair value
ASSETS				
Assets at amortized cost				
Trade and other debtors	24,885	24,885	87,385	87,385
Other non-current financial assets	10,458	10,458	49,570	49,570
Positive fair value of hedging derivatives			1,128	1,128
Cash and cash equivalents	90,823	90,823	326,197	326,197
LIABILITIES				
Liabilities at amortized cost				
Financial debt	589,243	589,243	542,313	542,313
Negative fair value of hedging derivatives	7,947	7,947		
Bank overdrafts and equivalent	4	4	278	278
Suppliers and other creditors	103,228	103,173	137,092	137,092

23. Provisions for employee benefits

- **Components of the expense for the financial year**

	31/12/2008	31/12/2007
Pension expenses	**72**	**108**

- **Change in provision**

	31/12/2008	31/12/2007
Provision at start of year	**251**	**142**
Expense for the year	72	108
Reclassification discontinued operations	(263)	
Provision at year end	**61**	**251**

Main actuarial assumptions

	31/12/2008	31/12/2007
Discount rate	5.00%	4.75%
Change in managerial salaries	3.00%	3.00%
Change in employee salaries	2.00%	2.00%
Mortality table	TGH 05 and TGF 05	TGH 05 and TGF 05
Retirement age	65	65

It should be noted that the actuarial spreads are not significant.

24. Other provisions

	Provision for disputes	Other provisions	TOTAL
Values at 01/01/2008	**609**	**492**	**1,101**
Contributions	3 227	572	3,800
Reversals	(574)	(343)	(917)
Business combinations	34	(156)	(122)
Currency translation adjustment	-	6	6
Other changes	-	(8)	(8)
Values at 31/12/2008	**3,296**	**563**	**3,860**
Inc. current portion			-
Inc. non-current portion	3,296	563	3,860

Provisions for disputes totalled € 3,296K at the end of the year. They primarily reflect the following disputes which originated during the year:

- THEOLIA SA labour disputes: € 84K
- Windream One dispute: € 354K
- Operational dispute (Germany): € 1,990K
- Risks on projects in Greece € 700K

25. Suppliers and other creditors

	31/12/2008	31/12/2007
Advances and instalments received	2,566	1,032
Suppliers	63,708	105,701
Other	36,954	30,359
Total	**103,228**	**137,092**

Trade payables are for the construction/sale of wind farms in the amount of € 45,001K, which breaks down as follows:

- France: € 1,663K
- Germany: € 42,457K
- Italy: € 735K
- Other countries € 146K

Other liabilities primarily represent the following operations:

- Asset suppliers (primarily wind projects): € 9,948K
- Price supplements to be paid following acquisitions of projects in Italy: € 16,078K
- Debts on acquisition of companies (Germany): € 6,177K

	31/12/2008	31/12/2007
Social security liabilities	2,169	1,664
Tax liabilities	12,183	27,302
Total	**14,352**	**28,966**

The tax liabilities primarily represent the VAT collected and not yet paid.

26. Sector information

- **Breakdown by business**

The Group operates in the following wind sectors:

- The construction of wind power production plants, on behalf of third parties or the Group. This activity includes "development".
- The operation of wind farms.

The Group also operates in non-wind business segments. The main activity of this sector, the environmental division, is currently discontinued, and the assets and liabilities are available for sale. The other activities in this segment are:

- Production of biofuels;
- Power production from hydraulic energy.

Owing to the change in strategy decided during the year, there were no sales of wind farms by Natenco (wind farm construction).

The comparative data presented below reflect, for both the balance sheet and the earnings statement, the accounts at 31 December 2007 restated for the application of IFRS 5 concerning discontinued operations.

31/12/2008 (in € thousands)

Earnings statement	Wind construction/sale	Sale of wind electricity	Non-wind activities	Holding	Inter-segment eliminations	Total
Sales	(17,576)	98 993	(10,532)	7,634	(8,563)	**69,956**
Inter-activity sales	(659)	-	(270)	(7,634)	8,563	**0**
Total	**(18,235)**	**98,993**	**(10,802)**	**-**	**-**	**69,956**
Current operating income	**(31,115)**	**14,134**	**(2,179)**	**(48,139)**	**-**	**(67,299)**
Impairment	(58,547)	(44,847)	(3,219)	37	-	(106,577)
Other operating income and expenses	(507)	485	(16)	(22,547)	-	(22,584)
Operating income	**(90,168)**	**(30,228)**	**(5,414)**	**(70,649)**	**-**	**(196,460)**
Share of income/loss of associates	(3,500)	(110)	(232)	-	-	(3,842)

Balance sheet	Wind construction/sale	Sale of wind electricity	Non-wind operations	Holding	Total
Non-current assets	**138,491**	**443,762**	**25,326**	**(51,997)**	**555,584**
Non-current assets not allocated	*10,490*	*3,398*	*25,295*	*2,486*	*41,669*
Current assets	**220,270**	**75,099**	**19,799**	**28,134**	**343,302**
Assets held for sale	-	-	9,638	10,179	19,817
Total consolidated assets	**358,761**	**518,862**	**54,764**	**(13,684)**	**918,703**
Non-current liabilities	**24,316**	**238,989**	**67**	**205,707**	**469,080**
Non-current liabilities not allocated	*21,703*	*238,690*	*2*	*204,219*	*464,614*
Current liabilities	**112,911**	**106,166**	**12,109**	**35,554**	**266,742**
Current liabilities not allocated	*48,543*	*82,203*	*10,772*	*5,147*	*146,666*
Liabilities held for sale			13,121		13,121
Total consolidated liabilities	**137,227**	**345,156**	**25,297**	**241,261**	**748,943**
Other information					
Acquisitions of tangible and intangible assets	26,547	15,026	2,253	1,205	**45,030**
Workforce at year-end	123	13	108	51	**295**

31/12/2007 (in € thousands, except for workforce)

Earnings statement	Wind construction/sale	Sale of wind electricity	Non-wind operations	Holding	Total
Sales	249,321	53,912	15,888	5,589	**324,710**
Inter-activity sales	(30,899)	-	(88)	(5,589)	**(36,576)**
Total	**218,422**	**53,912**	**15,800**	**-**	**288,134**
Sales	249,321	53,912	15,888	5,589	288,134
Other earnings from ordinary activities	2,528	527	109	352	1,873
Purchases and changes in inventories	(210,619)	(28,522)	(15,133)	(474)	(225,685)
Asset production	-	-	-	-	-
External expenses	(21,341)	(8,258)	(1,989)	(6,658)	(29,008)
Personnel expenses	(7,725)	(1,094)	(1,172)	(8,141)	(18,132)
Earnings and other taxes	(423)	(225)	(96)	(243)	(987)
Other operating income and expenses	1,295	847	(4)	(5,502)	(3,445)
Net amortization, depreciation and provisions	(1,489)	(10,798)	(3,794)	3,767	(12,313)
Current operating income	**11,548**	**6,390**	**(6,190)**	**(11,309)**	**439**
Other non-current income and expenses	181	123	(39)	18,694	18,959
Impairment of goodwill				(56,490)	(56,490)
Operating income	**11,729**	**6,513**	**(6,229)**	**(49,105)**	**(37,091)**
Share of income/loss from associates	(182)	(4)	593	-	**407**

Balance sheet					
Non-current assets	**159,411**	**419 946**	**104,563**	**(38,055)**	**645,865**
Non-current assets not allocated	*20,063*	*(2,001)*	*78,989*	*18,038*	*115,089*
Current assets	**260,249**	**56,636**	**16,409**	**175,752**	**509,046**
Assets held for sale		-	-	**-**	-
Total consolidated assets	**419,660**	**476,582**	**120,973**	**137,696**	**1,154,912**
Non-current liabilities	**30,331**	**240,297**	**7,474**	**204,450**	**480,292**
Non-current liabilities not allocated	*30,298*	*240,032*	*6,868*	*202,178*	*479,376*
Current liabilities	**175,973**	**54,730**	**21,964**	**17,534**	**270,200**
Current liabilities not allocated	*61,009*	*27,824*	*1,121*	*818*	*90,772*
Total consolidated liabilities	**206,304**	**295,026**	**29,438**	**221,984**	**750,492**
Other information					
Acquisitions of tangible and intangible assets	9,229	38,040	698	169	**48,136**
Workforce at year-end	115	-	92	30	**237**

Comments on the earnings statement

"Wind construction/sale" business

Sales for the year were negative because of the cancellation of the sale of a wind farm in Germany in 2007 for the amount of € 17,000K (inability of the buyer to obtain financing in 2008).

This activity recorded an operating loss on continuing operations of € (31,115) K, reflecting the following factors:

Pursuant to the decision to stop the main business of its German subsidiary (strategic option to retain farms communicated in September 2008), the Group recorded no wind farm sales during 2008. Therefore, the structural costs were not absorbed and had a direct effect on the Group's current operating income. They represent a non-capitalized expense of € 8,240K for 2008.
The costs thus incurred and not capitalized in the cost price of the projects by the companies carrying out development constitute an expense of € (4,033) K.
The probabilities related to the completion of the projects undergoing development required the recognition of a provision for € (2,324) K.

In addition, the Group recorded non-recurring expenses and provisions that impacted on current operating income in the amount of € (12,194) K, which breaks down as follows:

- Loss of margin on cancellation of a wind farm sale in Germany in 2007 € (2,715) K
- Impairment of turbines € (3,119) K
- Penalties on contract with turbine manufacturer because turbine purchases were less than the contract minimum € (2,670) K
- Additional commissions on wind farm sales € (2,200) K
- Risks on contracts € (1,490) K

There was an operating loss of € (90,168) K. Impairment of € (58,547) K was recorded, primarily on the following:
- The goodwill from the acquisition of Natenco Gmbh for € (44,606) K. This impairment results from the test conducted at year-end based on the discounted future cash flow method;
- The goodwill and fixed assets of PESSA (Almeria project) for € (12,938) K. This impairment results from a recoverable value of € 4,000 K, which is significantly less than the book value recorded.

"Sale of wind electricity " business

Sale of wind-based electricity, both for the company and for third parties, rose from € 53,912K in 2007 to € 98,9593K in 2008, recording growth of 83%.
Sales of electricity from wind farms held by the Group more than doubled over the period to total € 55,540K.
The installed capacity for the company's own account rose from 333 MW at 31 December 2007 to 360 MW at 31 December 2008.

The strong sales growth for this business was driven by the following factors:

- Full-year consolidation of the 2007 acquisitions (including 165 MW contributed by the Group in Germany in July 2007) € 18,132K
- Full-year impact of the wind farms developed by the Group and commissioned in 2007 € 3,028K
- Effect of the acquisitions made in 2008 (inc. CED) € 5,035K
- Effect of the commissioning of the Sallen wind farm € 72K
- Effect related to the change in the wind farm activity on a constant consolidation basis € 2,390K

This activity recorded current operating income of € 12,893K, representing 23% of sales. The operating expenses totalled € 16,779K, equal to 30% of sales.
Depreciation on the wind farms in operation for € 26,017K represents a significant portion of the expenses for this activity, 47% of sales.

The calculations of valuation based on discounted future cash flows (DCF) resulted in the recognition of impairment at year-end, which significantly reduced the operating income, which was € (31,468) K.
These impairments recorded during 2008 totalled € (44,847) K and can be analyzed as follows:

- Impairment of goodwill €(29,655) K
  - France € (2,499) K
  - Germany € (12,206) K
  - Morocco € (14,950) K

- Impairment of non-current assets € (15,192) K
  - France € (19) K
  - Germany € (15,172) K

The "sale of electricity " for third parties business increased more than 50% over 2007 and posted sales of € 43,454K and current operating income of € 1,202K, representing 3% of sales. This low result is due to the low margins on the contracts.
At 31 December 2008, the total number of MW managed for third parties was 311 MW, compared with 297 MW at 31 December 2007.

"Non-wind" activity

The negative revenues from this sector are due to the cancellation of the sale of the Merzig solar park, representing € (14,400) K. Restated sales were € 3,868K and can be analyzed as follows:

- Biofuel sales € 1,608K
- Electricity sales (solar) € 1,406K
- Other € 854K

The operating income from non-wind activities totalled € (5,414) K and primarily represented Biocarb and THEOLIA Première Nation.

As the Biocarb business did not generate sufficient sales volumes, the profitability threshold was not reached. The operating income was € (2,600) K and includes € (1,777) K in asset impairment;
As the activity of THEOLIA Canada and its subsidiary did not generate sales, the operating income of € (1,077) K represents structural costs for € (246) K and asset impairment for the balance.
The cancellation of the sale of the Merzig solar farm generated an operating income of € (900) K without associated sales.

"Holding" activity

The "holding" sector contains the following entities:

- THEOLIA SA
- THEOLIA Iberica
- THEOLIA South America
- THEOLIA Emerging Markets

Sales before elimination of inter-activity sales consists of management fees reinvoiced to the subsidiaries of the other sectors by THEOLIA SA in the amount of € 7,634K.

The current operating income for the holding company totalled € (48,139) K, including € (46,746) K for THEOLIA SA.

The expenses in the holding segment reflect the following activities:

- General administration of the Group (strategy)
- Relations with the stock market and investors
- External growth transactions
- Financing operations through the market

The result reflects the following elements:

- THEOLIA SA structural expenses not covered by reinvoicing	€ (10,937) K
- Impairment of an instalment on reserved turbines	€ (10,000) K
- Impairment of the receivable following the sale of the Thenergo securities	€ (15,000) K
- Share-based payments to the employees and directors of THEOLIA SA	€ (9,660) K

Other operating income and expenses in the amount of € (22,547) K include the income from the sale of the Thenergo Group for € (22,649) K.

Comments on the balance sheet

"Wind sale/construction" activity

The sector holds the assets of the companies that make farm sales and the assets of the program support companies undergoing development and construction.

Non-current assets primarily represent the following:

- Goodwill	€ 67,694K
- Current projects	€ 60,308K

Goodwill corresponds primarily to Natenco Gmbh for the amount of € 31,319K.

Current assets are primarily:

- Inventories of current projects € 137,365K
- Trade receivables € 10,592K
- Cash € 34,958K

Pursuant to the decision to stop the main business of its German subsidiary (strategic option to retain farms communicated in September 2008), the Group recorded no wind farm sales in financial year 2008. The wind projects acquired during the year were, therefore, posted to inventory pending sale in 2009 onwards.

Liabilities primarily represent bank loans intended to finance the segment's activity in the amount of € 69,776K and the liabilities relating to suppliers and other creditors for € 58,150K.

"Sale of wind electricity sale" business

This segment holds the assets of the wind farms in operation.

Non-current assets are primarily:

- Goodwill € 65,988K
- Wind facilities € 374,376K

Current assets include € 19,138K in wind farms in inventory for sale and € 32,081K in cash generated by the power production activity.

Liabilities include primarily the borrowings intended to finance the construction of the wind farms. At year-end, the amount was € 299,326K.

Liabilities owed to suppliers and other creditors totalled € 22,763K.

"Non-wind" activities

This segment holds the assets of the companies performing non- wind activities.

Following the group's decision to withdraw from activities other than wind operations, the liabilities and assets of the entities being sold were restated pursuant to IFRS 5.
These restatements are shown on an additional line on the "assets/liabilities held for sale" balance sheet in the amount of € 19,817K on the asset side and € 13,121K on the liability side.

Non-current assets include the Group's interest in the Ecolutions company for € 24,772K.
In addition, the Merzig solar facility is included in current assets (inventories) for € 12,900K.

Liabilities primarily represent the loan attached to this facility in the amount of € 10,621K and suppliers and other creditors for € 1,337K.

"Holding" activity

Non-current financial liabilities include the OCEANE convertible bond for € 204,223K.
Current liabilities consist primarily of suppliers and other creditors for € 30,408K.

- **Breakdown by geographic region**

31/12/2008 (in € thousands)

	France	Germany	Rest of world	Total
Sales	16,272	50,346	8,995	75,613
Inter-country sales	(4,621)	-	(1,036)	(5,657)
Total	**11,651**	**50,346**	**7,959**	**69,956**
Balance sheet				
Non-current assets	**504,693**	**96,482**	**(45,592)**	**555,584**
Investments	*126,644*	*252,197*	*56,989*	*435,831*
Non-current assets not allocated	*426,135*	*(251,643)*	*(132,824)*	*41,668*
Current assets	**84,213**	**242,091**	**16,998**	**343,302**
Current assets not allocated	-	-	-	-
Assets held for sale	19,817			19,817
Total consolidated assets	**608,723**	**338,572**	**(28,593)**	**918,703**

31/12/2007 (in € thousands)

	France	Germany	Rest of world	Total
Sales	20,728	263,147	7,413	291,289
Inter-country sales	(3,155)	-	-	(3,155)
Total	**17,573**	**263,147**	**7,413**	**288,134**
	-	-	-	-
Current operating income	(21,739)	22,264	(1,425)	(900)
Other non-current earnings and expenses	24,552	-	(1,763)	22,789
Impairment	(60,746)	-	-	(60,746)
Operating income	**(57,933)**	**22,264**	**(3,188)**	**(38,857)**
Share of income from associates		(4)	(81)	(85)
Balance sheet				
Non-current assets	**125,284**	**416,852**	**103,725**	**645,865**
Investments	*111,296*	*278,011*	*21,408*	*410,714*
Non-current assets not allocated	*2,007*	*42,548*	*70,532*	*115,087*
Current assets	**252,886**	**243871**	**12,289**	**509,046**
Total consolidated assets	**378,171**	**660,724**	**116, 017**	**1,154,912**

27. Personnel expenses

	31/12/2008	31/12/2007
Staff wages and salaries	9,358	9,082
Social security contributions	3,257	2,054
Other personnel expenses	33	-
Other staff benefits and share-based payments (IFRS 2)	8,190	6,996
Total personnel expenses	**20,838**	**18,132**

Personnel expenses (excluding share-based payments) remained stable overall. This is explained by the following factors:

- Development of the Moroccan subsidiary THEOLIA Emerging Markets: € 845K
- Variation in wage bill and employees at Natenco Gmbh (including reduction in bonuses) (1): € (1,827) K
- Variation in wage bill and employees at THEOLIA SA (2): € 1,202K
- Increase in employees of the company THEOLIA Brazil: € 156K
- Increase in employees and full-year effect of the acquisition of the Maestrale Group € 96K
- Acquisition of CED € 245K
- Full-year effect of the acquisition of the company Biocarb: € 215K
- Other factors € 580K

(1) Essentially the effect of the reduction in profit-related bonuses.
(2) The staff reduction implemented at the year end at THEOLIA SA had no impact. The increase reported is associated with the impact over a full year of the growth in employees in 2008 combined with the strong growth of the company.

28. Other operating income and expenses

	31/12/2008	31/12/2007
Share-based payments (allocation of stock warrants)	(1,615)	(4,803)
Income from ordinary business	6,049	1,873
Other operating income and expenses	(777)	1,358
Total	**3,656**	**(1,572)**

Operating income and expenses mainly relate to the fee attached to the granting of stock warrants to certain directors of THEOLIA SA, € 1,1615K.

29. Other non-current expenses and income

	31/12/2008	31/12/2007
Disputes		(112)
Transfer of Thenergo securities	(22,649)	22,981
Effect of changes in scope		74
Other operating expenses and income	65	(154)
Total	**(22,584)**	**22,791**

This item includes the result of deconsolidation of the Thenergo Group, i.e. € (22,649) K, which was transferred on 23 December 2008.
During the course of the previous financial year, profits from the dilution of the participation in this same Group had been posted for a sum total of € 22,981K. Consequently, over two financial years, the total impact on THEOLIA Group income is € 332K.

30. Impairment

▪ Breakdown of item

Impairment posted at year end is shown in the following table:

	31/12/2008	31/12/2007
Impairment of intangible fixed assets	(27,713)	(3,832)
Impairment of tangible fixed assets	(1,283)	(424)
Impairment of goodwill	(77,581)	(56,490)
Total	**(106,577)**	**(60,746)**

▪ Breakdown by geographical area

	31/12/2008	Asset depreciation	Goodwill
Development and construction of wind farms	(809)	(809)	
Generation of wind energy	(2,519)	(20)	(2,499)
Non-wind activities	(574)	(465)	(109)
Impairment – France	**(3,901)**	**(1,293)**	**(2,608)**
Generation of wind energy	(71,985)	(15 ,172)	(56,813)
Impairment – Germany	**(71,985)**	**(15 ,172)**	**(56,813)**
Development and construction of wind farms	(12,938)	(11 ,293)	(1,645)
Impairment – Spain	**(12,938)**	**(11 ,293)**	**(1,645)**
Generation of wind energy	(14,950)		(14,950)
Impairment – Morocco	**(14,950)**	**-**	**(14,950)**
Development and construction of wind farms	(194)	(194)	
Non-wind activities	(2,609)	(1 ,043)	(1,565)
Impairment – rest of the world	**(2,803)**	**(1 ,237)**	**(1,565)**
Total	**(106,577)**	**(28 ,996)**	**(77,581)**

31. Financial income

▪ Analysis of the item

Income from cash and cash equivalents	31/12/2008	31/12/2007
Income generated by cash and cash equivalents	3,574	439
Result of transfer of cash equivalents	2,794	1,518
Other income	15	1,105
Total	**6,384**	**3,062**

Cost of gross financial debt	31/12/2008	31/12/2007
Interest charges on financing operations	(33,009)	(12,577)
Total	**(33,009)**	**(12,577)**
Cost of net financial debt	**(26,625)**	**(9,515)**

Income from cash amounts to € 6,384K and originates from investments made by THEOLIA SA and Natenco Gmbh.
Interest charges not incorporated into the assets connected with the loans arranged by the Group amounts to € (33 009) K and breaks down as follows:

- OCEANE debenture loan: € (13,541) K
- Financing of Natenco Gmbh activities: € (3,805) K
- Wind farms in course of development (France): € (379) K
- Wind farms in course of development (Italy): € (251) K
- Wind farms in operation (France): € (3,870) K
- Wind farms in operation (Germany): € (7,788) K
- Solar farm in operation (Germany): € (623) K
- Other wind farms (Germany): € (3,021) K
- Wind farm in operation (Morocco): € (313) K

▪ Breakdown of other financial expenses and income

Other financial income and expenses	31/12/2008	31/12/2007
Variation in fair value of financial instruments	(8,965)	450
Variation in exchange rate	483	221
Net charges on transfers of marketable securities	-	(33)
Other financial expenses and income	(3,975)	1,889
Other financial expenses and income	**(12,457)**	**2,526**

Other financial income and expenses includes the impact of derivatives connected with the loans arranged by the wind farms in operation in France totalling € (3,795) K as well as the following items:

- Revenues from loans granted (mainly in Germany): € 2,174K
- Provision connected with the risk on these loans: € (2,656) K
- Provision on the loan granted to the subsidiary Asset Electrica € (2,925) K
- Other financial expenses: € (568) K

32. Income tax

▪ Analysis of the tax expenses

In € thousands	31/12/2008	31/12/2007
Corporation tax payable	180	(6,022)
Deferred taxes	11,756	3,245
Total	**11,936**	**(2,777)**

The evaluation of deferred tax assets and liabilities is based on how the THEOLIA Group expects to recover or pay the book value of the assets and liabilities, using the tax rates it is expected to apply over the year in which the asset will be realized or liability paid.

A deferred tax asset is only posted to the extent that it is likely that the THEOLIA Group will obtain future taxable profits to which such asset may be attributed.

The income tax recorded, € 11,756K, includes the following items:
- Tax deficits capitalized within the Group's German subsidiary (Natenco) in the sum of € 5,192K. The budgetary assumptions allow for their expected recovery in 2 years;
- Tax deficits not capitalized within THEOLIA SA in the sum of € (5,111) K;
- Reversal of provision for deferred tax liability in Spain for € 2,900K;
- A positive tax effect of € 2,983K connected with the revaluation of the hedging instruments;
- A positive tax effect of € 3,142K following the depreciation of assets on the German wind farms.

▪ Proof of tax

Description	31/12/2008	31/12/2007
Net earnings from the consolidated group	**(244,098)**	**(48,625)**
Tax expenses reported	(11,936)	2,777
Portion of the result of the MEE in the NET earnings	3,842	85
Portion of the result of the MEE restated as discontinued operations	983	(492)
Taxes connected with discontinued operations	(2,143)	(48)
Net earnings from the consolidated group before tax	**(253,352)**	**(46,303)**
Theoretical tax rate applicable	33.33%	33.3%
Theoretical Tax expenses	84,442	15.433
Tax expenses reported (including discontinued operations)	14,079	(2,729)
Tax difference	**(70,363)**	**(18,162)**
Items compared:		
Permanent differences	3,096	(50)
Badwill on acquisitions		(5)
Share-based payments (IFRS2)	(3,220)	(3,932)
Dilution profit / Result of deconsolidation	(9,083)	7,660
Tax credits	97	
Exchange-rate differences		(55)
Difference in rates in France / other countries	(8,538)	(2,577)
Impairment	(26,922)	(18,828)
IDA non capitalization	(5,111)	
Non-capitalized tax deficits	(20,976)	(335)
Other	294	(40)
Total	**(70,363)**	**(18,162)**

▪ Nature of deferred taxes

Assets

In € thousand	31/12/2008	31/12/2007
Intangible fixed assets	102	51
Tangible fixed assets	301	-
Internal margin eliminations	2,116	2,173
Internal transfer eliminations	2,980	2,980
Provisions for pension commitments	19	84
Financial instruments	2,927	-
Taxes carried over	27,276	17,197
Other assets	250	76
Offsetting of deferred taxes receivable/payable	(26,487)	(21,130)
Total	**9,483**	**1,431**

Liabilities

In € thousand	31/12/2008	31/12/2007
Intangible fixed assets	12 ,655	19 ,369
Tangible fixed assets	8 ,720	7 ,791
Fiscal amortization	15 ,781	8 ,209
Adjustment of amortization/depreciation period	-	194
Financial instruments	12 ,190	13 ,118
Other liabilities	(826)	6
Offsetting of deferred taxes receivable/payable	(26 ,487)	(21 ,130)
Total	**22, 033**	**27, 557**

Tax deficits gave rise to the capitalization of deferred taxes receivable of € 27,276K. These amounts are justified by the existence of deferred taxes payable concerning the same entities.

▪ Change in deferred taxes

In € thousand	Deferred taxes receivable	Deferred taxes payable	Net deferred taxes
Opening	**1,431**	**27,557**	**(26,126)**
Expenses/Income	14,763	(940)	15,702
Variation in scope	(2,293)	461	(2,754)
Effect on reserves	(4,424)	(5, 045)	622
Conversion differences	6	-	6
Closure	**9,483**	**22,033**	**(12,550)**

- **Use of deficits**

	31/12/2007	New deficits generated	Impact of change in rate	Other	31/12/2008
Deferred taxes that may be applied to deficits	17,197	13,006	-	(2,927)	27,276
Recognized deferred taxes receivable	**17,197**	**13,006**	**-**	**(2,927)**	**27,276**

- **Tax assets not reported**

In € thousand	31/12/2008	31/12/2007
Unlimited	(21,311)	(335)
Total	**(21,311)**	**(335)**

33. Earnings per share

Description	31/12/2008	31/12/2007
Earnings attributable to company shareholders (in € thousands)	(243,342)	(48,262)
Weighted average number of shares in circulation (in thousands)	39,747	34,190
Basic earnings per share (in euros)	**(6.12)**	**(1.41)**
Earnings attributable to company shareholders (in € thousands)	(243,342)	(48,262)
Weighted average number of shares in circulation	39,747	34,190
Adjustments connected with subscription rights	4,415	4,914
Convertible bonds	11,538	11,538
Adjustments connected with free shares allocated	562	576
Weighted average number of ordinary shares in circulation	56,262	51,219
Diluted earnings per share (in euros)	**(4.33)**	**(0.94)**

34. Related parties

- **Transactions with related companies**

Related companies are companies in which the Group exercises significant influence and which are valued by the equity method as well as companies considered to be related parties, particularly FC Holding.
Information on companies consolidated according to the equity method is provided in note 12. Transactions between related parties are conducted based on market prices.

Only transactions with the company Asset Electrica (owner of an electricity line) were recorded. They relate to the latter's sale of rights to use the line with a total power of 58 MW to the company PESSA. This transaction amounts to € 4,060K.

Transactions with the company FC Holding are shown in the following table:

In € thousand	31/12/2008	31/12/2007
Operating income	70	-
Operating expenses	(5,477)	9,068
	(5,407)	**9,068**

In € thousand	31/12/2008	31/12/2007
Trade receivables	2,154	5,083
Trade payables	(1,887)	-
	267	**5,083**

- **Managers' remuneration**

The remuneration of managers performing a technical function within the company is detailed below.

In € thousand	31/12/2008	31/12/2007
Salaries and bonuses	572	2,455
Share-based payments	5,237	5,255
Managers' attendance fees		8
Directors' attendance fees	261	110
Other remuneration	1,223	
	7,293	**7,828**

Attendance fees paid to members of the Board of Directors of THEOLIA amounted to € 239K (€ 118K in 2007).

In 2008, THEOLIA reported (note 20) an expense relating to share-based payments of € 5,237K, distributed as follows:

- € 1,615K for stock warrants to company officers;
- € 3,622K for free shares to company directors.

The other remuneration includes the following in particular:

- The fee connected with a strategic expertise agreement between Faracha and THEOLIA SA, i.e. € 908K;
- The fee connected with the remuneration of the new CEO, i.e. € 195K;

35. Commitments, contingent liabilities and assets

1. Commitments agreed

THEOLIA, as holding company, or the subsidiaries in their capacity of parent company in each country, are provide different guarantees to allow the sub-subsidiaries to carry out their activities. These commitments comprise the following:

a) Guarantee to cover the working capital requirements: The group companies are required to provide joint bonds, guarantees on first demand and comfort letters to guarantee the credit lines granted by the financial establishments intended to finance their working capital requirements.

In Germany THEOLIA stood surety for a maximum sum of € 7.5 million in favor of Südwestbank and Bernhauser Bank AG to guarantee two credit lines for an amount of € 10 million each granted by the latter to NATENCO GmbH, a subsidiary of THEOLIA. These credit lines are intended to finance NATENCO's working capital requirements.
The commitment made with Bernhauser Bank is arranged for one year and runs from 14 May 2007.
The commitment made with Südwestbank is arranged for one year and runs from 14 September 2007

THEOLIA also granted a comfort letter in favor of the banks of THEOLIA Deutschland for an amount of € 2 million.

b) Guarantees provided for turbine suppliers: The group companies to provide guarantees on first demand or joint bonds to guarantee subsidiaries' debts to turbine manufacturers during the period preceding the establishment of the definitive financing of the wind farms by a financial institution.

In Italy, THEOLIA granted a joint bond for an amount of € 36.4 million to Vestas under a contract for the sale of 35 turbines dated 18 July 2008 between Vestas and the company Aerochetto Italy, a subsidiary of Maestrale, for the Aero-Chetto project.

c) Guarantees for wind farm financing: The group companies are required to grant guarantees within the scope of the financing of wind farms by financial institutions or for the dismantling of turbines.

- **In France**

In France, certain companies:
- Theowatt
- Natenco SAS
- THEOLIA France
- and Royal Wind

granted, as 100% holding companies of project support companies (SSP), pledges on financial instrument accounts or pledges of company shares to guarantee financial debts contracted by the following SSPs:

- Centrale Éolienne des Plos ("**CEPLO**"),
- Centrale Éolienne du Moulin de Froidure ("**CEMDF**"),
- Centrale Éolienne de Sallen ("**CESAL**"),
- Centrale Éolienne du plateau de Ronchois ("**CERON**"),
- Centrale Éolienne du Grand Camp ("**CELGC**"**),**"**Les éoliennes du Plateau**"
- and "**Les éoliennes de Bel Air**", within the scope of financing the construction of wind farms.

The framework agreements with the banks also provide for a joint commitment between THEOLIA, THEOLIA France and Theowatt to make available to the SSPs, via capital contributions and/or shareholder loans, the sums corresponding to the portion agreed with the banks of the costs of construction of the wind farms. Similarly, under the terms of these agreements, THEOLIA, THEOLIA France and Theowatt are jointly required to cover, via new capital contributions and/or shareholder loans, any sum exceeding the construction budgets agreed with the banks.

These commitments concern the following SSPs:

- Centrale Éolienne des Plos ("**CEPLO**"),
- Centrale Éolienne du Moulin de Froidure ("**CEMDF**"),
- Centrale Éolienne de Sallen ("**CESAL**"),
- Centrale Éolienne du plateau de Ronchois ("**CERON**"),
- Centrale Éolienne du Grand Camp ("**CELGC**").

Finally, the framework agreements with the banks establish a joint guarantee provided by THEOLIA for the repayment of sums payable under the bridging loans granted by the banks to the SSPs in order to finance VAT on the construction of the wind farms.

- **Financing of wind activities with minority partners**

On 16 May 2005, THEOLIA concluded a memorandum of understanding with the minority partners of Ventura amended by additional agreements dated 30 June 2005, 12 May 2006 and 30 April 2007. This memorandum lays down the principles of collaboration between THEOLIA and its subsidiary. The main characteristics of this collaboration are as follows:
All the Group's wind projects, including current or future acquisition projects, will be developed and constructed by SA Ventura, within the limits of the business plan drawn up each year. To that end, Ventura will draw up a business plan each year, with THEOLIA's assistance, defining the number and scope of the projects planned and determining the amount of the corresponding equity to be provided by THEOLIA.

For each wind farm project included in the aforesaid business plan an ad-hoc company will be set up and held, either directly or via a holding company, 80% by Ventura, a subsidiary of THEOLIA, SA, and 20% by Messrs Guyot, Bouffard and De Saint Jouan (minority shareholders at 31/12/2007).

- **In India**

In India, THEOLIA, granted a pledge on its money market SICAV accounts for Société Générale for an amount of € 9.8 million in favor of Deutsche Bank. The guarantee aims to cover the possible lack of financing for the project held by the company THEOLIA Wind Power for 10 MW. This commitment expires in March 2009.

- **In Morocco**

Following the acquisition of Compagnie Eolienne du Detroit (CED) on 4 January 2008 and within the scope of the refinancing of the CED debt by BMCI, THEOLIA granted a pledge on CED's securities to BMCI, Calyon, Dexia Crédit Local, KBC Bank, French branch, and Natixis, on 9 June 2008.

- **In Germany**

In Germany, Natenco GmbH and some of its subsidiaries pledged several bank accounts open in their books with different banks to guarantee any costs incurred on dismantling certain farms. These pledges total € 5,789K at 31 December 2008.

d) Price refund guarantee for certain clients of Natenco GmbH:

Within the scope of the sale of a wind farm with an overall power of 24 MW for a price of € 40.8 million by Natenco GmbH to Hohenlohe Windpark 1 GmbH & Co, Hohenlohe Windpark 2 GmbH & Co KG, Hohenlohe Windpark 3 GmbH & Co KG, Hohenlohe Windpark 4 GmbH & Co. KG, Hohenlohe Windpark 5 GmbH & Co KG and Hohenlohe Windpark 6 GmbH & Co KG, companies affiliated to Meinl International Power Ltd, THEOLIA granted an unconditional and irrevocable guarantee to refund the aforesaid selling price in the event of cancellation of the aforesaid sale by one or more purchasers and failure by Natenco GmbH to reimburse the selling price. This commitment expires on 30 June 2009.

e) Other commitments

Registered office leasing contract

The Company has undertaken by contract to lease the premises of the registered office for a period of 9 years without the option of early termination, i.e. until 28 February 2016

Bond within the scope of the loans underwritten by Ecoval 30

Within the scope of the activities of Ecoval 30, THEOLIA stood joint surety for € 2,000K of a loan contracted on 27 June 2005 by Ecoval 30 with Société Générale with maturity at 14 June 2012.

Support for the development of the activities of Ecoval Technology and Ecoval 30

Within the scope of its support for the development of the activities of Ecoval Technology, THEOLIA stood surety with BFCC for a maximum overall sum of € 140,000.

Project financing

THEOLIA stood joint surety on the following transactions:

- Signature of a joint surety commitment vis-à-vis ENTENIAL to guarantee the payment of the contributions granted by SCI CS2M;
- Signature of a joint surety commitment with ROYAL BANK OF SCOTLAND in favor of SAS SEGLIEN;
- Signature of a joint surety commitment with ROYAL BANK OF SCOTLAND in favor of SAS CEFF.

2. Commitments received

On 31 January 2008, THEOLIA France concluded a memorandum of understanding under whose terms Winvest undertook to offer 30 MW of wind projects to THEOLIA by 31 December 2009.

Finally, on 24 December 2008, THEOLIA SA announced the sale of its entire holding (i.e. 4,716,480 shares) in Thenergo to Hestiun for an amount of € 15 million. The company is retaining an option to buy back these shares, if it so wishes, at the agreed price of 110% of the sale price within 12 months and 120% of that same price within an additional 12 months.

36. List of group companies

Companies	% of interest	Consolidation methods	Country
SA THEOLIA	100,00	Parent	France
THEOLIA EMERGING MARKETS	47.62	Global Integration	Morocco
THEOLIA IBERICA	100.00	Global Integration	Spain
AEROCHETTO Srl (Giunchetto 29.75 MW)	90.00	Global Integration	Italy
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00	Global Integration	Greece
AIOLIKI ENERGEIA SITHONIA AEBE	80.00	Global Integration	Greece
APESA	100.00	Global Integration	Spain
ASSET ELECTRICA	50.00	Equity Method	Spain
AVALON Ltd	100.00	Global Integration	England
BELMONTE GREEN ENERGY Srl	90.00	Global Integration	Italy
CE BEAUDIGNECOURT	100.00	Global Integration	France
CE CHERMISEY	100.00	Global Integration	France
CENT EOL AQUEDUC	100.00	Global Integration	France
CENT EOL CHEM DE FER	100.00	Global Integration	France
CENT EOL DE CANDADES	79.54	Global Integration	France
CENT EOL DE CHASSE MAREE	99.54	Global Integration	France
CENT EOL DE COUME	100.00	Global Integration	France
CENT EOL DE CROIX BOUDETS	100.00	Global Integration	France
CENT EOL DE DAINVILLE	100.00	Global Integration	France
CENT EOL DE DEMANGE	100.00	Global Integration	France
CENT EOL DE FRUGES LA PALETTE	99.94	Global Integration	France
CENT EOL DE LA VALLEE DE LA TRIE	99.54	Global Integration	France
CENT EOL DE MOTTENBERG	100.00	Global Integration	France
CENT EOL DE SALLEN	100.00	Global Integration	France
CENT EOL DES COSTIERES	100.00	Global Integration	France
CENT EOL DES GARGOUILLES	100.00	Global Integration	France
CENT EOL DES SOUTETS	79.54	Global Integration	France
CENT EOL DU GRAND CAMP	100.00	Global Integration	France
CENT EOL DU MAGREMONT	99.54	Global Integration	France
CENT EOL DU PAYS DE SORBIERE	100.00	Global Integration	France
CENT EOL DU PLATEAU DE RONCHOIS	100.00	Global Integration	France
CENT EOL FORET BOULTACH	100.00	Global Integration	France
LES 4E	100.00	Global Integration	France
MAESTRALE ENERGY Srl	100.00	Global Integration	Italy
MAESTRALR PROJECT HOLDING SA	50.32	Global Integration	Italy
MGE GIUNCHETTO Wind Park SA	100.00	Global Integration	Italy
MGE Idea Srl	100.00	Global Integration	Italy
MPH 1 SA (Giuggianello 28 MW)	100.00	Global Integration	Italy
NATENCO CZECH REP. IG	100.00	Global Integration	Czech Republic
NATENCO GMBH	100.00	Global Integration	Germany
NATENCO HOLDING Gmbh	100.00	Global Integration	Germany
NATENCO SAS	100.00	Global Integration	France
NEO ANEMOS Srl (Martignano 21 MW)	47.81	Global Integration	Italy
SNC BIESLES	100.00	Global Integration	France
SNC DAINVILLE	100.00	Global Integration	France
SNC DEMANGE	100.00	Global Integration	France
SNC L'ARDECHE	100.00	Global Integration	France
SNC LE CHARMOIS	100.00	Global Integration	France
SNC LES PINS	100.00	Global Integration	France

SNC SAINT BLIN	100.00	Global Integration	France
TANGER MED WIND SA	47.57	Global Integration	Morocco
THEOLIA BRASIL ENERGIAS ALT.	100.00	Global Integration	Brazil
THEOLIA CEE Gmbh	100.00	Global Integration	Austria
THEOLIA FRANCE	100.00	Global Integration	France
THEOLIA GREECE	95.00	Global Integration	Greece
THEOLIA HUNGARIA	100.00	Global Integration	Hungary
THEOLIA MAROC SERVICES SA	47.57	Global Integration	Morocco
THEOLIA MAROCCO	47.62	Global Integration	Morocco
THEOLIA PARTICIPATIONS	100.00	Global Integration	France
THEOLIA POLSKA	99.90	Global Integration	Poland
THEOLIA SOUTH AMERICA HOLDING Ltda	100.00	Global Integration	Brazil
THEOLIA WIND POWER PVT (INDIA)	50.00	Global Integration	India
THEOWATT	100.00	Global Integration	France
VENTURA	99.42	Global Integration	France
WINDENERGIE COESFELD-LETTE GMBH &KO KG	100.00	Global Integration	Germany
WINDPARK GROB WARNOW	100.00	Global Integration	Germany
WSB W. MUHLANGER GMBH &KO KG	100.00	Global Integration	Germany

Companies	% of interest	Consolidation methods	Country
BUSMAN WIND GMBH (LADBERGEN I)	100.00	Global Integration	Germany
CEFF	100.00	Global Integration	France
CENT EOL DE SEGLIEN	100.00	Global Integration	France
CENT EOL DES PLOS	100.00	Global Integration	France
CENT EOL DES SABLONS	99.42	Global Integration	France
CENT EOL DU DETROIT (CED)	100.00	Global Integration	Morocco
CENT EOL DU MOULIN DE FROIDURE	100.00	Global Integration	France
CORSEOL SA	95.20	Global Integration	France
ERNEUERBARE ENERGIE ERNTE VIER GmBH	48.00	Equity Method	Germany
ERNEUERBARE ENERGIE ERNTE ZWEI Gmbh	89.60	Global Integration	Germany
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00	Global Integration	Germany
HECKELBERG R.E.W. Gmbh & Co. ZWANZIG WIND-KG	100.00	Global Integration	Germany
NATENCO WINDPARK 1 MANAGEMENT Gmbh	100.00	Global Integration	Germany
NATENCO WINDPARK ALSLEBEN BETEILIGUNGS Gmbh	100.00	Global Integration	Germany
NATENCO WINDPARK BETEILIGUNGS Gmbh	100.00	Global Integration	Germany
NATENCO WINDPARK MANAGEMENT Gmbh	100.00	Global Integration	Germany
NATENCO WINDPARK VERWALTUNG Gmbh	100.00	Global Integration	Germany
NATURSTROMNETZ Gmbh	43.81	Global Integration	Germany
PREMSLIN R.E.W. BLÜTHEN PREMSLIN Gmbh	100.00	Global Integration	Germany
REW KRANZLIN GMBH &KO KG	100.00	Global Integration	Germany
ROYAL WIND	100.00	Global Integration	France
SIEBZEHNTE UPEG WINDPARK GMBH &CO KG	100.00	Global Integration	Germany
SNC LES EOLIENNES DE BEL AIR	100.00	Global Integration	France
SNC LES EOLIENNES DU PLATEAU	100.00	Global Integration	France
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00	Global Integration	Germany
THEOLIA DEUTSCHLAND GMBH	100.00	Global Integration	Germany
THEOLIA VERWALTUNG	100.00	Global Integration	Germany
THEOLIA WINDPARK WERBIG GMBH	100.00	Global Integration	Germany
UPEG WINDPARK GMBH (LADBERGEN II)	100.00	Global Integration	Germany
UPEG WINDPARK GMBH (LADBERGEN III)	100.00	Global Integration	Germany
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00	Global Integration	Germany
WINDPARK BETRIEBS GMBH	100.00	Global Integration	Germany
WINDPARK GROSSVARGULA Gmbh & Co. KG	100.00	Global Integration	Germany
WINDPARK HOPSTEN INVESTITIONS GMBH & CO KG	100.00	Global Integration	Germany
WINDPARK MINDEN Gmbh	100.00	Global Integration	Germany

WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00	Global Integration	Germany
WINDPARK NIENBERGE GMBH &KO KG	100.00	Global Integration	Germany
WINDPARK NOTTULN GMBH &KO KG	100.00	Global Integration	Germany
WINDPARK RABENAU Gmbh	100.00	Global Integration	Germany
WINDPARK TUCHEN RECKENTHIN INVESTITIONS GMBH	100.00	Global Integration	Germany
WINDPARK VERDEN 1 Gmbh & Co. KG	100.00	Global Integration	Germany
WINDPARK VERDEN 2 Gmbh & Co. KG	100.00	Global Integration	Germany
WINDPARK WOLGAST INVESTITIONS GMBH &CO KG	100.00	Global Integration	Germany
WINDWIN GMBH & KO KG	100.00	Global Integration	Germany
WINDWIN VERWALTUNG GMBH	100.00	Global Integration	Germany
WiWi WK GmbH & Co. WiWo KG	100.00	Global Integration	Germany
WSB W. RUHLSDORF GMBH &KO KG	100.00	Global Integration	Germany
ZABELSDORF R.E.W. Gmbh & Co. ZWÖLF WIND-KG	100.00	Global Integration	Germany
BIOCARB	96.73	Global Integration	Switzerland
CS2M	100.00	Global Integration	France
ECOLUTIONS	16.77	Equity Method	Germany
ECOVAL 30 SA	97.66	Global Integration	France
ECOVAL TECHNOLOGY SAS	100.00	Global Integration	France
NEMEAU SAS	100.00	Global Integration	France
SAEE	100.00	Global Integration	France
SAPE	100.00	Global Integration	France
SERES ENVIRONNEMENT	100.00	Global Integration	France
THENERGO ME (Sous Groupe)	27.21	Equity Method	Belgium
THEOLIA CANADA	99.98	Global Integration	Canada
THEOLIA PREMIERES NATIONS INC	99.98	Global Integration	Canada
THERBIO	99.99	Global Integration	France
WINDREAM ONE	100.00	Global Integration	France
	Incoming companies		