2008 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

This Management Report concerns the activity of the Company and its Group during fiscal year 2008. It was approved by the Board of Directors in its 21 April 2009 meeting.

1. INTRODUCTION TO THE GROUP AND ITS WIND ACTIVITY

Created in 1999, registered in the OTC market in 2002 and listed on Eurolist on 31 July 2006, the THEOLIA Group is a European player in electricity production from wind energy. The Group develops, builds and operates wind farms for its own account and for third parties.

As of 31 December 2008, the Group manages a total installed capacity of 671 megawatts (MW), comprising 360 MW on its own account and 311 MW for third parties.

As of 31 December 2008, the Group's portfolio of wind projects under development totals 2,580 MW.

THEOLIA has wind farms in operation in France, Germany and Morocco. The Group is developing wind projects in France, Italy, India and Brazil. Italy, France and Germany are three major markets in which the Group is active. Given their major growth potential, India and Brazil are potentially key future markets.

The Group's skills cover the entire wind energy electricity production value chain from identifying the site to the operational management of the wind farms built, including the process of obtaining building permits, selecting the most appropriate turbines for the site, arranging financing and construction.

To finance its future growth, the Group may decide to sell the wind farms built for third parties while maintaining their operational management.

The table below shows a breakdown of the Group's installed capacities as of 31 December 2008:

(in MW)	MW held for own account	MW managed for third parties	**Total**
France	80	18	98
Germany	230	293	523
Morocco	50	-	50
Total	360	311	671

The table below shows a breakdown of the Group's projects under development as of 31 December 2008:

(in MW)	Prospective	Development	Permits filed	Permits obtained	Under construction	**Total**	
Europe							
France	428	348	352	57	78	1,264	49%
Italy	-	90	254	25	51 (1)	419	17%
Germany	-	-	38	5	92	135	6%
Rest of the World							
India (2)	-	-	-	300	25	325	13%
Brazil	240	23	70	105	-	438	17%
Total	668	461	713	491	247	2,580	
	26%	18%	28%	19%	10%		
	1,842						

(1) O/W 21 MW held 50/50 with a partner
(2) THEOLIA India is a 50/50 joint venture, consolidated by the equity method in the accounts of the Group. The figures indicated are on a 100% basis.

2. CHANGES IN THE MANAGEMENT OF THE GROUP

On 29 September 2008, THEOLIA announced changes in the organization of the Group's Management.

Following the resignation, effective immediately, of Jean-Marie Santander from his position as THEOLIA Chairman and CEO, the Board of Directors separated the positions of Chairman and CEO in order to contribute effectively to the quality of the work of the Board and to adopt within the Group a form of corporate governance in keeping with best practices in the market.

Eric Peugeot, a member of the THEOLIA Board of Directors since 2006, was named Chairman of the Board of Directors.

Eric Peugeot, a French citizen, has held several key positions in marketing for the Peugeot Group SA, in France and abroad. He was responsible for merchandising in Europe for Peugeot Automobiles from 1990 to 1995, then Director of sponsorship and partnerships from 1995 to 2000. He is currently President of Peugeot Belgium, Peugeot Netherlands and Peugeot Portugal. He is also a member of the Board of Directors of SKF France, EPF (Etablissements Peugeot Frères) and LFPF (La Française de Participations Financières).

Marc van't Noordende was named CEO of the Company.

Marc Van't Noordende, a Dutch citizen, joined Essent NV in 2000, as President of the Energy Division. He became a member of Essent's Executive Board in 2002 and was Chief Operating Officer from 2005 to 2008. Before joining Essent, he was CEO of Protein Genetics, based in Wisconsin (United States) from 1997 to 2000. Before Protein Genetics, he held positions at Gemini Consulting in Paris and Akzo Nobel. Marc van't Noordende holds an MBA from INSEAD (France) and a law degree from the University of Leiden (Netherlands).

3. ACTIVITY OF THE GROUP IN 2008

A list of the subsidiaries and equity stakes comprising the consolidated Group with the percentage of interest and control, is included in Note 36 of the Notes to the Consolidated Financial Statements

3.1. Highlights of the financial year

3.1.1. Change in 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.

3.1.2. Cash problems

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.

3.1.3. Impairment tests

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.

3.1.4. Acquisition of Compagnie Eolienne du Détroit

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.

3.1.5. Commissioning of an 8 MW wind farm in France

In December 2008, THEOLIA commissioned the wind farm, *Centrale Eolienne deSallen*, located in Calvados in Normandy. Development of this project began in March 2002. The building permit, which was filed in June 2004, was obtained in July 2005. Construction began in December 2007.

3.2. Condensed income statement

THEOLIA 's consolidated financial statements were examined by the Audit Committee and the Board of Directors, then approved by the Board of Directors in its 21 April 2009 meeting, in the presence of the statutory auditors.

Consolidated financial statements (in thousands of euros)	31/12/2008	31/12/2007 Reported	31/12/2007 Restated IFRS 5
Sales	69,956	306,481	288,134
Current operating income	(67,299)	(3,250)	438
Operating income	(196,460)	(38,726)	(37,517)
Financial income	(39,083)	(7,941)	(6,989)
Share of income from associates	(3,842)	589	(85)
Taxes	11,936	(2,729)	(2,777)
Net after taxe profit from discontinued activities or activities in the process of sale	(16,650)	N/A	(1,257)
Net profit	(244,098)	(48,807)	(48,625)

Following the application of IFRS standard 5 relating to activities in the process of sale, most of the Group's non-wind companies were taken out of the different line items of the consolidated income statement and grouped under a single line item "net after tax profit/loss from discontinued activities or activities in the process of sale." For purposes of comparison with the previous fiscal year, the 2007 income statement was restated for the effect of the entities in the environmental cluster concerned (Seres Environnement, Ecoval 30, SAEE, SAPE, Némeau, Therbio, CS2M and Thenergo).

3.3. Consolidated sales

3.3.1. Analysis of consolidated sales by activity

(in thousands of euros)	31/12/2008	31/12/2007 Reported	31/12/2007 Restated IFRS 5
Consolidated sales	**69,956**	**306,481**	**288,134**
Sale of wind electricity for own account	55,540	26,883	26,883
Sale of wind electricity for third parties	43,454	27,028	27,028
Construction – Sales of wind farms to third parties	(18,236)	218,423	218,423
Non-wind activity	(10,802)	34,147	15,800

In all, the Group's sales amounted to 70 million euros as of 31 December 2008, compared with 288 million euros (restated according to IFRS 5) as of 31 December 2007.

These consolidated sales for the year were adjusted for two main items:

- Cancellation in late 2007 of the sale of a wind farm in Germany owing to the buyer's inability to obtain financing in 2008, which negatively affected the "Sales of wind farms to third parties" activity to the order of 17 million euros;

- Cancellation in late 2007 of the sale of a solar park owing to the buyer's inability to obtain financing in 2008, which negatively affected the non-wind activity to the order of 14.4 million euros.

Sale of wind electricity

Sales of wind electricity for own account and for third parties rose from 53.9 million euros to 99 million euros in 2008, resulting in growth of 83 percent.

Sales of wind electricity from owned by the Group more than doubled during the period. The installed capacity for own account rose from 333 MW as of 31 December 2007 to 360 MW as of 31 December 2008. The strong growth in sales from this activity reflects the impact of the full year consolidation of the wind farms acquired by the Group in Germany in July 2007 for a capacity of 165 MW.

Sales of electricity for third parties in 2008 increased by more than 50 percent compared to 2007. As of 31 December 2008, the total number of MW managed for third parties reached 311 MW compared with 297 MW as of 31 December 2007.

Construction and sales of wind farms to third parties

In 2008, the Group did not sell any wind farms, while sales of wind farms to third parties totalled 218 million euros in 2007. This is the result of a decision by the Group's Management prior to the organizational changes made in October 2008. Since then, this decision has been reversed by the new Management in order 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.

Non-wind activity

Because of the application of IFRS standard 5 relating to activities in the process of sale, the Group restated the sales by most of the non-wind companies in 2007 for a total amount of 18.3 million euros; it did not account for the sales by those companies in 2008.

The difference in sales by non-wind activities between 2007 and 2008 is due to the sale of a solar park in Germany in late 2007 for 14.4 million euros. On a comparable basis, sales by non-wind activities grew over the period.

As previously indicated, the Group continues its divestment of these non-strategic activities.

3.3.2. Analysis of consolidated sales by geographical area

The table below shows a breakdown of consolidated sales by geographical area:

(in thousands of euros)	31/12/2008	31/12/2007 Reported	31/12/2007 Restated IFRS 5
Consolidated sales	**69,956**	**306,481**	**288,134**
France	11,650	35,920	24,897
Germany	50,346	263,147	263,147
Rest of the world	7,959	7,413	89

In 2007, the Group recorded 218 million euros in sales of wind farms to third parties, including 18 million euros in France and 200 million euros in Germany.

Excluding sales of wind farms to third parties, consolidated sales as of 31 December 2008 were up in France compared to 31 December 2007 (restated according to IFRS 5).

Excluding sales of wind farms to third parties, consolidated sales as of 31 December 2008 were down in Germany compared with 31 December 2007 (restated according to IFRS 5) owing to the cancellation of two sales in late 2007, which affected the 2008 performance by 31.4 million euros.

The sharp increase in sales in the rest of the world is due mainly to the fact that sales of electricity from the wind farm in Morocco, CED, acquired in the very beginning of 2008, were accounted for in 2008 (see subsection 3.1.4.).

3.4 Consolidated earnings

3.4.1 Consolidated EBITDA

3.4.1.1 Calculation method

To increase transparency and comply with generally accepted best practices, the Group decided to modify the presentation of its EBITDA in order to align it with the calculation methods generally used by the financial community and recommended by the AMF.

Until 2007, EBITDA included neither the provisions from current assets nor expenses resulting from the implementation of free share allocation plans and stock warrants (IFRS 2).

From the close of financial year 2008, the Group decided to include these two items in the calculation of its EBITDA.

Thus the Group's EBITDA is defined as follows: EBITDA = current operating income + amortisation expense + risk provisions.

The effect of this decision on the Group's EBITDA in 2008 is highly significant. The impact amounts to nearly 42.2 million euros and is broken down as follows (in millions of euros):

2008 EBITDA – new presentation	**(37.8)**
Depreciation of trade receivables	17.1
Provision of reservations fees for turbines	10
Expenses resulting from the implementation of plans granting free shares and stock warrants (IFRS 2)	9.7
Provision for depreciation of turbines in inventory	3.1
Depreciation of inventories	2.3
2008 EBITDA – former presentation	**4.4**

By way of comparison, the 2007 EBITDA (restated according to IFRS 5) amounted to 24.6 million euros. According to the new presentation, the 2007 EBITDA (restated according to IFRS 5) would come out at 12.2 million euros.

The table below shows the transition of EBITDA to operating income for the past two financial years:

(in thousands of euros)	31/12/2008	31/12/2007 Published	31/12/2007 Restated IFRS 5
EBITDA [(1)]	**(37,821)**	**14,636**	**12,196**
Net amortization expense and risk provisions	(29,479)	(17,886)	(11,759)
Current operating income	**(67,299)**	**(3,250)**	**437**
Other non-current income and expenses	(22,584)	21,014	22,791
Impairment	(106,577)	(56,490)	(60,746)
Operating income	**(196,460)**	**(38,727)**	**(37,517)**

(1) Calculated according to the new presentation adopted in 2008, including in the EBITDA provisions from current assets and expenses resulting from the implementation of free share allocation plans and stock warrants (IFRS 2).

3.4.1.2 Analysis of consolidated EBITDA

As indicated previously, the Group's consolidated EBITDA shows a loss of 37.8 million euros as of 31 December 2008.

However, it is important to note that the EBITDA from the activity "Sale of electricity," THEOLIA's core business, rose sharply during the period. It rose from 17.8 million euros as of 31 December 2007 to 39.7 million euros as of 31 December 2008, posting growth of 123% over the period.

However, the strong growth is offset by three major negative effects:

- The lack of wind farm sales to third parties,
- The recording of a number of non-recurring items,
- Expenses resulting from the implementation of plans granting free shares and stock warrants (IFRS 2) for 9.7 million euros.

In fact, after the decision by the previous Management to discontinue the main activity of its German subsidiary, the sale of wind farms, the Group did not sell any wind farms during the 2008 financial year. Therefore, a significant portion of the subsidiary's structural costs was not absorbed, which had a direct effect on the Group's EBITDA. These costs represent an expense of around 8.2 million euros in the 2008 financial year. It should be noted that the Group's new Management reactivated wind farm sales in late 2008. Therefore wind farm sales should resume in 2009.

Furthermore, following the ambitious growth policy conducted by the previous Management, the Group posted non-recurring expenses and provisions affecting EBITDA in the amount of 44.7 million euros for the 2008 financial year, mainly related to penalties for discontinuing certain contracts (notably with turbine manufacturers) and the closing of some subsidiaries (Spain, Greece and Eastern Europe) as well as the cancellation of two sales made in 2007.

These non-recurring expenses and provisions break down mainly as follows (in thousands of euros):

Debt depreciation following the sale of Thenergo	15,000
Provision of reservation fees for turbines	10,000
Non-recurring expenses for sponsorships, auditing, surveys and legal costs	4,197
Loss of margin from cancellation of two sales made in Germany in 2007	3,615
Provision for depreciation of turbines in inventory	3,119
Penalties on contract with a turbine manufacturer (following a turbine purchase amount below the minimum called for in the contract)	2,670
Additional fees on purchases/sales of wind farms in Germany	2,200
Structural costs in Morocco and costs related to the closure of subsidiaries in Spain, Greece and Eastern Europe	2,045
Operating losses in the environment division (not including discontinued activities withdrawn from the scope of consolidation pursuant to IFRS 5)	1,378

Income from the sale of Thenergo stock by the Group at year-end, due in mid-January 2009, had not been received by the publication date of this Report. THEOLIA initiated an appeal to arbitration in order to recover the entirety of its debt held on Hestiun or to cancel the sale and recover the shares. As a precautionary measure, the Company adopted a conservative position and chose to depreciate the debt in full, i.e. in the amount of 15 million euros.

The pre-payment on reserved turbines was associated with a project that was discontinued. A provision was set up for the full amount of this pre-payment at year-end.

The expenses resulting from the implementation of plans awarding free shares and stock warrants (IFRS 2) amounted to 9.7 million euros in 2008, compared with 11.8 million euros reported in 2007. These share-based payments were granted in early 2008.

3.4.2 Current operating income

The Group had a current operating loss of 67.3 million euros as oft 31 December 2008, compared with a profit of 438 thousand euros (restated according to IFRS 5) as of 31 December 2007.

Amortization expenses incurred in 2008 amount to 26.6 million euros, compared with 11.4 million euros (restated according to IFRS 5) for 2007. This increase reflects the growth in the Group's installed capacity, particularly the full year accounting in 2008 for the farms contributed by GE Energy Financial Services in mid-2007.

The Group also noted some provisions impacting current operating income for the 2008 financial year in the amount of 2.2 million euros.

3.4.3 Operating income

The Group had an operating loss of 196.5 million euros as of31 December 2008, compared with a loss of 37.5 million euros (restated according to IFRS 5) for 2007.

This sharp decline is due mainly to the fact that major non-recurring expenses were recorded for the 2008 financial year.

The ambitious growth policy conducted by the previous Management led to several external growth transactions, some of which were realized in very active global bull market. Fair value tests on the goodwill and fixed assets must be made at least once a year, and particularly when an impairment indicator is detected. In the context at the end of 2008, this gave way to the recognition and recording of significant goodwill depreciation as of 31 December 2008.

According to standard IAS 36, the current value of an asset, which is used to calculate the impairment of an asset, corresponds to the higher of the following two items:

- The fair value of the asset (comparison to market prices noted on an active market) less the sale costs,
- Its useful value, i.e. the discounted value of any future cash flow expected from the asset during the period of use of the asset.

This definition applies to all the assets included in the field of application of standard IAS 36 without distinction, whether they are held for sale (without necessarily meeting all the conditions for classification under assets held for sale under IFRS 5) or to be used.

Both in 2007 and in early 2008, the wind market remained very active with numerous deals noted in Europe. This helped to keep prices up. During the 2008 financial year, THEOLIA conducted these tests during the second half of the year when a significant market slowdown was noted related to the financial crisis.

Following the further decline in transactions noted and the general economic downturn since September 2008, the active market criteria, and hence the reference to market value, were not used by the Group to determine the current value. The useful value based on the expected future cash flow method was therefore selected as being the most relevant approach for determining current values at the end of 2008.

This approach also revealed significant cases of impairment related to past acquisitions.

Non-current expenses and provisions impacting the operating profit/loss for 2008 amount to 129.3 million euros and break down as follows (in millions of euros):

Goodwill depreciation, mainly in Germany (56.8) and Morocco (15)	77.6
Asset depreciation, mainly in Germany (15.2) and Spain (11.3)	28.0
Impairment sub-total (Application of IAS 36 standard)	**105.6**
Other depreciation	1.0
Book loss from the sale of Thenergo stock	22.6

The Company would like to point out that determining the current value using the discounted future cash flow method is based on an historical principle of zero terminal value by project (contract). Amortization is recorded fully over the lifetime of the electricity sale contract, without extending the life of the turbines beyond the duration of the contract in force, which is 15 years in France and 20 years in Germany.

For the record, the loss of 37.5 million euros (restated according to IFRS 5) for 2007 included a net negative impact of 33.6 million euros relating to two non-recurring items:

- A dilution profit of 22.9 million euros following the opening up of Thenergo equity at the same time it was listed on Alternext, and
- A goodwill depreciation relating to the acquisition of farms from GE Energy Financial Services in the amount of 56.5 million euros.

3.4.4 Net earnings

The net consolidated loss as of 31 December 2008 was 244.1 million euros, compared with a loss of 48.6 million euros (restated according to IFRS 5) for 2007.

The financial loss went from - 7 million euros (restated according to IFRS 5) for 2007 to – 39.1 million euros as of 31 December 2008. This increase is due mainly to:

- The first full year of interest charges related to the OCEANE (convertible bond); the interest calculated according to the effective interest rate in accordance with the relevant IFRS standard amounts to 13.5 million euros for the 2008 period; this convertible bond having been issued in October 2007, the interests calculated according to the effective interest rate amounted to 2.3 million euros in 2007;
- The fair value assessment of the existing interest rate hedging instruments on some loans in France : the reduction in the interest rates resulted in a depreciation of fixed rate hedging instruments in the amount of 9 million euros ;
- Depreciation of the current account of Asset Electrica (the company that holds the connection line to the network of a project formerly developed in Spain) towards THEOLIA following the decision to close down its activities in Spain, in the amount of 2.9 million euros;
- Depreciation of loans granted to customers in Germany in the amount of 2.7 million euros.

The share in income from associates amounted to a loss of 3.8 million for the 2008 financial year, of which 3.5 million corresponds to the loss by Asset Electrica (consolidated at 50% by the equity method), mainly due to an asset depreciation of 8.7 million euros (for 100% held).

Tax income recorded in 2008 amounts to + 11.9 million euros and is due mainly to:

- Recording of a tax liability associated for the tax losses by the Group's German subsidiary (Natenco) in the amount of + 5 million euros,
- An overall tax effect related to different IFRS restatements recorded.

Lastly, the item "net after tax income/expense from activities discontinued or in the process of sale" including the Group's non-wind companies concerned by standard IFRS 5 related to activities in the process of sale, shows a loss of 16.7 million euros for 2008, compared with a loss of 1.3 million euros (restated according to IFRS 5) in 2007.

The decisions taken since October 2008 to refocus the Group's activities on the major markets in which the Group is active (Italy, France and Germany, followed by India and Brazil) combined with the ongoing sale of some non-wind activities, some wind projects and assets, had a significant impact in terms of depreciation in a difficult market.

Total non-recurring provisions and expenses recorded for the 2008 financial year amounted to 201.9 million euros.

3.4.5. Analysis by activity

The table below shows sales, EBITDA and current operating income by activity:

(in thousands of euros)	Sale of wind electricity	Sales of wind farms to third parties	Non-wind activity	Holding	Consolidated total
Sales	98,994	(18,236)	(10,802)	-	69,956
EBITDA [(1)]	39,707	(28,440)	(2,278)	(46,810)	(37,821)
Current operating income/expense	14,134	(31,116)	(2,179)	(48,139)	(67,299)

(1) As a reminder, EBITDA is calculated according to the new presentation adopted in 2008, which includes provisions from current assets and expenses resulting from the implementation of free share plans and stock warrants (IFRS 2).

Sale of wind electricity

The EBITDA/sales ratio of this activity amounts to 40.11% and breaks down as follows:

- Own account EBITDA/sales ratio : 69.20%,
- Third party EBITDA/sales ratio: 2.84%.

Overall, this performance is in line with the management objectives set by the Group.

Construction and sale of wind farms to third parties

EBITDA from this activity posted a loss of 28.4 million euros, adversely affected primarily by the following three items:

- Cancellation of the sale of a wind farm in Germany in 2007 owing to the buyer's inability to obtain financing in 2008. This cancellation led to the following:
    - Cancellation of 17 million euros in sales
    - A loss on margin of 2.7 million euros;
- The total lack of wind farm sales in 2008, causing a significant portion of the German subsidiary's structural costs not to be absorbed (around 8.2 million euros),
- The recording of non-recurring expenses and provisions in the amount of 9 million euros.

Non-wind activity

Following the application of IFRS 5 related to activities in the process of sale, the effect of most non-wind companies (Seres Environnement, Ecoval 30, SAEE, SAPE, Némeau, Therbio and CS2M) was grouped under a single line item "net profit/loss from activities held for sale." Non-wind non-IFRS 5 activities include primarily the non-wind activities of Natenco, as well as the companies Biocarb, Ecoval Technology SAS and THEOLIA Canada.

This activity involved a loss in EBITDA of 2.3 million euros, of which 900 thousand euros in a loss of margin from the cancellation of the sale of a solar park in Germany in 2007.

Holding

EBITDA from this sector, primarily consisting of THEOLIA SA, the Group's head office, shows a loss of 46.8 million euros, due mainly to expenses resulting from the implementation of free share plans and stock warrants (IFRS 2) in the amount of 9.7 million euros and to the recording of non-recurring expenses and provisions for a total of 30.6 million euros, including the following principal amounts:

Depreciation of the debt following the sale of Thenergo	15,000
Provision of reservation fees for turbines	10,000
Non-recurring expenses for sponsorship, auditing, surveys and legal costs	4,197
Structural costs in Morocco and costs related to closure of the Spanish subsidiary	1,022

3.5 Financial structure

Three errors found in the accounts as of 31 December 2007 resulted in restatements. A detailed presentation of the effects on the financial statements is described in Note 2.1 of the Notes to the Consolidated Financial Statements.

3.5.1 Shareholders' equity – Group share

The Group share of shareholders' equity is 171.2 million euros as of 31 December 2008, compared with 404.1 million euros as of 31 December 2007 (restated). This decline is related to the loss recorded for the 2008 financial year.

3.5.2 Net financial debt

Net debt rose from 215.3 million euros as of 31 December 2007 to 498.1 million euros as of 31 December 2008; it breaks down as follows:

	31/12/2008	31/12/2007 Restated
Financial debts	(376,686)	(346,261)
Convertible bond loan (1)	(204,223)	(195,953)
Other financial liabilities(2)	(8,338)	(377)
Other current financial assets	296	1,127
Cash and cash equivalents	90,823	326,197
Net financial debt	(498,128)	(215,267)

(1) The amounts indicated correspond to the debt component of the bond loan. See note 2.17 in the Annex to the 2008 consolidated financial statements.

(2) The other financial liabilities correspond primarily to the position as of 31 December 2008 of the interest rate hedging instruments.

The increase in net debt reflects mainly the downturn in the cash position described previously.

As of 31 December 2008, financial liabilities broke down as follows:

	31/12/2008
Project financing without recourse to the parent company	(337,091)
Loan guaranteed by letter of credit	(5,255)
Lines of credit for working capital requirement	(34,340)
Total financial liabilities	(376,686)

Note 21 of the Notes to the Consolidated Financial Statements contains a debt payment schedule as of 31 December 2008.

3.5.3 Cash and cash equivalents

The table below contains an overview of the change in cash noted for the period and the kind of cash flows.

	31/12/2008	31/12/2007 Restated
Cash flow	(8,067)	27,214
Change in the working capital requirement related to the activity	(129,192)	2,639
Corporate income tax	(8,715)	240
Flows related to discontinued activities	(1,751)	-
Cash flow from operating activities	**(147,725)**	**30,093**
Cash flow from investing activities	**(73,727)**	**(136,663)**
Cash flow from financing activities	**(12,184)**	**369,459**
Effect of changes in currency exchange rates	70	(111)
Change in cash and cash equivalents	(233,567)	262,778
Net cash and cash equivalents at the start of the period	**325,920**	**63,142**
Net cash and cash equivalents at the end of discontinued activities	**1,533**	**-**
Net cash and cash equivalents at the end of the period	**90,819**	**325,920**

As of 31 December 2008, the Group's cash position was positive at 90.8 million euros compared with 325.9 million euros as of 31 December 2007.

Cash flow from operating activities

Cash flow was a negative 8 million euros as of 31 December 2008.

The change in the working capital requirement related to the activity was a negative 129.2 million euros. The sharp increase in the working capital requirement is directly related to the following events:

- The lack of wind farm sales in the period, resulting in:
  - The posting to inventory of many projects acquired over the financial year which were not sold at the close of the financial year,
  - A reduction in trade receivables owing to the fact that no invoice was issued ;
- Cancellation of the sales of a wind farm and a solar park in Germany in 2007, as a result of which they were returned to inventory.

Overall, the cash flow from operating activities was a negative 147.7 million euros as of 31 December 2008. It was adversely affected by an inventory increase of 137.2 million euros.

This flow was a positive 30.1 million euros as of 31 December 2007 (restated).

Cash flow from investing activities

The flow used for investments amounted to 73.7 million euros as at 31 December 2008, compared with 136.6 million euros as of 31 December 2007 (restated).

In 2008, this flow included 46.4 million euros used for acquisitions of tangible assets (investments in the construction of wind projects) and intangible assets (concerning the progress of wind projects).

The change in loans and advances is a positive 36.5 million euros and comes primarily from the cancellation of sales by Natenco GmbH for 2007 (see subsection 3.3.1.).

Lastly, the effects on cash of the changes in scope, which amount to 64.6 million euros, come primarily from the acquisition of Compagnie Eolienne du Détroit in January 2008.

Cash flow from financing activities

Financing operations conducted during the period show a negative balance as of 31 December 2008 related to:

Loans and other debts

Loans and other debts incurred	€ 102,304 k
Redemption of loans and current accounts	€ (91,063) k
Interest payments	€ (24,497) k

3.6 Continuity of operations

The Company wishes to point out that the Group's 2009 budget was prepared on a cash flow basis, predicated on a program of asset disposals and sales of wind projects already begun. Whether or not this program runs properly is a crucial factor in the Company's ability to ensure the continuity of its operations over twelve months.

The main assumptions used are associated with:

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

The Company now has a reasonable assurance that this disposal programme will be followed and that, accordingly, the related payment due dates will be respected as well.

Nonetheless, in the context of a difficult economic environment, should the asset sales program be carried out late, the Company would benefit from the full possibility of limiting its estimated investment program for 2009. It can do so by targeting one or more projects.

3.7 Prospects

At the end of 2008, the new Management team initiated a Group restructuring that will continue in 2009.

On a strategic level, the Group decided to refocus on its 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 considerable growth potential, the group identified India and Brazil as key potential future markets. The Group will confirm its commitment in these countries by the end of 2009. In Morocco, THEOLIA is currently in the process of renegotiating the PPA agreement with the Moroccan electricity operator (ONE, the *Office National de l'Electricité* (the National Electricity Office)). These negociations concern insertion into the contract changes in the financing conditions for CED and in the operating conditions for operating the wind farm beyond 2010.

On an operational level, the construction-sale of wind farms has been reactivated. It should be resumed in 2009. The sale of more than 200 MW of projects in France, Germany and Spain has already commenced.

In terms of corporate governance, a far-reaching examination has started into the future composition of its Board of Directors, which will encourage an increase in the number of independent directors and bring greater diversity.

On a financial level, the Group is focusing its efforts on managing cash flow and reducing costs. Marked progress has been reported and the 2009 budget incorporates the impacts of optimization efforts undertaken since the end of 2008, notably through the restructuring plan of the head office and the termination or the renegotiation of all contracts for external services.

Finally, the Group will focus on finalizing the sale of its non-wind activities.

The Group’s 2009 budget is also based on an assumption of self-financing, conditioned on all the projected sales.

As of 31 December 2008, THEOLIA has a high-quality project portfolio of 2,580 MW, enabling it to sustain its expansion ambitions.

Based on the 2009 self-financed budget and successful development of the projects which the Group has in development, a mid range business plan has been established.

Several financial restructuring opportunities could allow THEOLIA to increase its current activities and finance its future growth. In addition to sales of assets and projects, these options include the sale of holdings in its operating assets as well as access to external capital and/or to assets, with the aim of increasing activity beyond the basic budget for 2009.

3.8 Research and development

The company Seres Environnement, which belongs to the Environment division of the THEOLIA Group, is specialized in the design and marketing of water and air quality measurement instruments.

As of 31 December 2008, research and development costs capitalized by this subsidiary amounted to 588 thousand euros, compared to 390 thousand euros as of 31 December 2007. These costs mainly related to the design of new equipment for breath testing and measuring and inspecting the quality of water and air.

These costs are recorded under the item “assets to be sold” in the balance sheet. All these costs were depreciated as of 31 December 2008.

3.9 Significant events arising since the start of the 2009 financial year

3.9.1 Change to the scope of activities

3.9.1.1 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.

3.9.1.2 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.

3.9.2 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.

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

3.9.3 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.

4 RESULTS OF THE PARENT COMPANY, THEOLIA SA

The THEOLIA SA company accounts were drawn up by the Board of Directors in its meeting of 21 April 2009, before the statutory auditors.

4.1. Analysis of the income statement

4.1.1. Sales and other income

The sales of THEOLIA SA amounted to 7.4 million euros for the 2008 financial year, compared to 6 million euros for the previous financial year.

These sales are comprised of the services invoiced by THEOLIA SA to all subsidiaries as management fees. The increase in this item is due to the development of the support to subsidiaries activity.

The "other income" item amounts to 6.8 million euros for the 2008 financial year, compared to 14.6 million euros for 2007. It comprises the following elements (in thousands of euros):

Re-invoicing to a subsidiary of work paid for on its behalf
(start of construction work for an Italian project) 4,500

Costs of acquisition of shareholdings in the Compagnie Eolienne du Détroit
(transfer of expenses) 1,148

Recovery of provision for debts 967

Others 181

This item fell sharply compared to the previous financial year, mainly due to the absence, in 2008, of transfers of expenses linked to capital increases (for an amount of 5.9 million euros in 2007) and to the issue of convertible bond loans (for an amount of 6.6 million euros in 2007).

4.1.2. Operating income

The operating income was down 41.6 million euros for the 2008 financial year, compared to a loss of 10.2 million euros as of 31 December 2007. This sharp drop can be explained by:

- The sharp increase in the item "other purchases and external expenses" mainly linked to:
    - 20.1 million euros of purchases of turbines to a supplier. As these turbines were yet to be allocated at year-end, they were held in inventory, leading to an increase in the item "variation in inventory" of 20.1 million euros. Excluding provisions for depreciation, the total of these operations does not have an effect on the income statement;

- The recording of 4.5 million euros of expenses corresponding to work carried out for a subsidiary which was re-invoiced to the subsidiary, as mentioned previously. This operation did not have an impact on the income statement.

- The sharp increase in the depreciation and amortization item. In effect, this item records a significant increase in provisions for depreciations of current assets. These non-recurring expenses amount to 29.6 million euros and are broken down as follows:

Depreciation of the debt following the sale of Thenergo	15,000
Provision of reservation fees for turbines	10,000
Provision for depreciation of turbines in inventory	3,119
Provision for depreciation of Group debts	1,167
Others	300

For information, a provision for depreciation of 3.8 million euros in relation to the Buchen project had been recorded at 100% in 2007. This provision was maintained in 2008.

The wages and salaries item fell overall by 494 thousand euros between 2007 and 2008, which can be analyzed in the following manner:

- The 2007 financial year had recorded a Chairman’s salary of 1,968 thousand euros compared to 159 thousand euros in 2008; in effect, almost the entire remuneration of the Chairman was received in the form of fees in 2008 and recorded in the item “other purchases and external expenses”.
- Conversely, an increase in remunerations of an amount of 970 thousand euros was recorded, linked to the significant increase in the workforce in 2008 and the payment of compensation of 345 thousand euros.

The item “social expenditure” amounted to 1,979 thousand euros and includes the cost linked to allocations of free shares for an amount of 708 thousand euros.

The item “allocation to provisions” includes, in particular, a provision of 354 thousand euros related to the dispute with the previous manager of the company Windream One, as well as a provision for risks of 700 thousand euros in relation to a project developer in Greece.

4.1.3. Financial income

The financial income for the 2008 financial year amounted to – 125.6 million euros, whereas it was positive in 2007 at 9.5 million euros.

This deficit can be explained mainly by the recording in 2008 of provisions for depreciation of securities and debts linked to the valuation of the various subsidiaries held.

The net amount of these depreciations amounted to 130.5 million euros and can be broken down as follows:

- Provisions for depreciation of securities (98.6 million euros), including (in millions of euros):

Natenco Holding	67.9
Therbio	14.6
CED	12.1
Others	4

- Provisions for depreciations of loans to associated companies, net of recoveries of provisions (31.9 million euros), including (in millions of euros):

Environment Division	9.6
THEOLIA Investment	8.5
Foreign subsidiaries	6.7
Ecoval Technology	4.0
France project support companies	2.0
Others	1.1

- Other provisions for depreciations, mainly including the non-conversion premium linked to the OCEANE convertible bond loan for an amount of 3.3 million euros.

The interest on the bond loan amounted to 4.8 million euros in 2008 compared to 816 thousand euros in 2007 for only 2 months.

Capital losses issuing from the sale of own shares were also recorded for an amount of 1,340 thousand euros over the financial year.

4.1.4. Exceptional income

The exceptional income for the financial year amounted to a profit of 3.9 million euros, compared to a loss of 1.1 million euros in 2007.

It should mainly be noted that the sale of Thenergo securities generated a capital gain of 5.2 million euros.

Exceptional expenses include 544 thousand euros linked to the restructuring plan and 489 thousand euros of allocations to exceptional amortization.

4.1.5. Net income

Taking account of a tax income of 240 thousand euros linked to tax integration, the income for the financial year amounted to a loss of 163 million euros, compared with a loss of 1.2 million euros as of 31 December 2007. This very significant change is mainly due to the exceptional elements that were recorded during the financial year, namely non-recurring expenses of 29.6 million euros and provisions for depreciations on financial assets of 130.3 million euros.

4.2. Cash flow statement

The cash flow table below summarizes the change in cash and cash equivalents recorded over the financial year and the nature of the cash flow.

(in thousands of euros)	31/12/2008	31/12/2007 restated
Gross cash flow	(14,131)	6,518
Change in operating working capital requirement	(20,186)	(6,662)
Cash flow from operating activities	**(34,286)**	**(144)**
Cash flow from investing activities	**(119,938)**	**(170,734)**
Cash flow from financing activities	**(4,200)**	**329,512**
Change in cash and cash equivalents	**(158,424)**	**158,634**
Opening net cash and cash equivalents	**172,162**	**13,528**
Closing net cash and cash equivalents	**13,738**	**172,162**

As of 31 December 2008, the net cash flow of the Company was positive at 13.7 million euros, compared to 172.2 million euros as of 31 December 2007.

<u>Cash flow from operating activities</u>

The gross cash flow is negative at 14.1 million euros as of 31 December 2008.

The change in operating working capital requirement is negative at 20.2 million euros. This decline is predominantly linked to the inventory of turbines bought during the financial year, which had not yet been installed at year-end, of a net amount of 17 million euros. The increase in accounts payable for an amount of 9.9 million euros, mainly due to the recording of an installment with a turbine manufacturer for 6 million euros, is offset by the increase in miscellaneous debts amounting to 10.8 million euros.

On the whole, cash flow from operating activities is negative by 34.3 million euros as of 31 December 2008.

This flow was negative by 144 thousand euros as of 31 December 2007.

<u>Cash flow from investing activities</u>

The net flow used for investments amounts to 120.3 million euros as of 31 December 2008, compared to 170.7 million euros as of 31 December 2007.

In 2008, this flow comprised 56.8 million euros mainly used for the acquisition of securities, in particular the acquisition of the Compagnie Eolienne du Détroit for 45.4 million euros, a supplement of 7 million euros for the acquisition of Maestrale Green Energy and a supplement of 3.3 million euros for the acquisition of Natenco SAS.

The change in loans is negative by 63.7 million euros due to the advances granted to direct or indirect subsidiaries to finance their activity.

<u>Cash flow from financing activities</u>

The net flow used for financing operations amounts to 4.2 million euros as of31 December 2008.

It includes a collection of 1.6 million euros linked to the exercise of stock warrants during the period and a disbursement of 5.6 million euros linked to interest paid on the convertible bond loan subscribed at the end of 2007.

Inflows linked to financing amounted to 329.5 million euros, 233.3 million euros of which was linked to the subscription of the convertible bond loan mentioned previously.

4.3. Debt and cash flow

The Company's financial debt amounts to 245.2 million euros as of 31 December 2008, compared to 240 million euros as of 31 December 2007. In addition to the convertible bond loan subscribed at the end of 2007 for an amount of 240 million euros, the Company took out an overdraft of 5.2 million euros in 2008.

The Company's closing net cash and cash equivalents amounts to 13.7 million euros.

4.4. Table of income over the last five years

French standards	30/06/2004 12 months	30/06/2005 12 months	31/12/2006 18 months	31/12/2007 12 months	31/12/2008 12 months
Total equity capital	**1,227,086**	**28,641,654**	**168,349,952**	**350,035,018**	**189,106,745**
Balance sheet total	**5,161,420**	**45,814,079**	**214,304,936**	**604,525,432**	**454,935,459**
Capital at end of period					
Share capital	1,790,981	9,723,226	25,403,531	38,681,671	39,746,992
Number of ordinary shares	1,790,981	9,723,226	25,403,531	38,681,671	39,746,992
Priority dividend shares without voting rights	-	-	-	-	-
Maximum number of shares to be created					
By share allocations	-	-	423,500	575,715	561,715
By bond conversions	88,304	53,468	-	11,538,462	11,538,462
By subscription rights	962,000	5,209,063	2,955,277	4,917,447	4,415,450
Operations and income					
Gross operating income	1,504,683	6,012,108	12,315,797	20,223,127	14,210,307
Earnings before taxes, participation, net allocation to amortizations and provisions	-85,088	-108,008	-1,678,550	3,235,425	-828,527
Tax on profits	-	-	-2,737,985	-608,719	-240,050
Participations of employees	-	-	-	-	-
Earnings after taxes, participation, net allocation to amortizations and provisions	151,080	1,062	413,710	-1,151,491	-163,010,876
Appropriated earnings	-	-	-	-	-
Earnings per share					
Earnings after taxes, participation, but before allocation to amortizations and provisions	0.12	0.01	0.04	0.1	-3.30
Earnings after taxes, participation, allocation to amortizations and provisions	0.08	0	0.02	-0.03	-4.10
Dividends distributed	-	-	-	-	-
Staff					
Average workforce	6	12	16	20	34
Amount of payroll	381,137	840,992	2,514,329	3,575,161	3,081,088
Amount of sums paid in benefits in kind	143,904	363,211	920,103	1,236,154	1,979,021

5 PRIMARY RISKS TO THE GROUP

The information provided below contains certain assumptions and expectations that can naturally prove to be inexact.

The risks presented below may have a negative impact on the Group's activities, financial situation or its share price. Other risks, not yet identified or considered by THEOLIA to be significants, may also have a negative effect.

5.1 Risks linked to activities

5.1.1. Risks linked to the profitability of the wind farms

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

These revenues depend on the quality of the wind potential taken in reference for the realization, in close collaboration with the banks, of the long-term financial model used as a base to the implementation of the debt. The evaluation of this wind potential is the subject of detailed studies:

- Internally by THEOLIA;
- Externally by:
  - A first provider chosen by THEOLIA;
  - A second provider chosen by the banks.

The quality of the result depends largely on the quality of the measurements of potential carried out over a period of at least one year on the site, but above all, of the quality of the long-term reference meteorological station.

Even if the measures on the site are carried out with the greatest of care, no guarantee can be given by the Company with regard to the reliability of the measurements of the long-term reference meteorological station and to the quality of its correlation with the site.

These uncertainties can have the effect of a poor evaluation of the quality of the reference wind potential and can lead to an under-estimation of the revenue coming from the operation. The onset of such an event would thus have consequences on THEOLIA's capacity to meet the due dates of one or more financing plans for the wind farms and could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

5.1.2 Risks linked to climate conditions

The main activity of the Group is the production of electricity from wind energy. This energy depends on climate conditions, and in particular wind conditions.

The Group carries out, during the development phases of the projects, studies to measure the wind using the installation of measuring masts on the site of installation. However, the Group cannot guarantee that the wind conditions recorded on these sites will comply with the assumptions retained during the development phase of the farms.

In particular, a sustained fall in the wind conditions on the sites or the onset of natural disasters resulting from exceptional climate conditions could lead to a reduction in the revenues and the profitability of the Group, which could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

However, the Group has set up a reporting system to measure the performances of the wind farms in operation. This allows it to assess the development as closely as possible of the operating conditions and to draw up a tangible statement for budget forecasts.

5.1.3 Risks linked to obtaining construction permits

The construction of a wind farm requires a construction permit expunged of all third-party claims. No guarantee can be given as to whether the construction permit in the process of deposit or application will be obtained.

The tables below present the construction permits in the process of application as of 31 December 2008 by country:

Construction permits in the process of application as of 31 December 2008 in **France**:

Project name	MW
Aqueduc 1*	12
Aqueduc 2*	2
Biesles	12
Bois d'Aimont 1	10
Bois d'Aimont 2	10
Bois d'Aimont 3	10
Costières 1*	12
Coume	7.5
Croix de Boudets 1	4.6
Croix de Boudets 2	11.5
Croix de Boudets 3	11.5
Dainville*	24
Extension de CAP 1	9.2
Extension de CAP 2	6.9
Faydunes	12
Joncels*	7.2
L'Ardèche*	12

Project name	MW
Les Hauts Vaudois	12
Les Pins*	12
Magremont 1	12
Magremont 2	12
Magremont 3	12
Magremont 4	12
Magremont 5	12
Magremont 6	12
Magremont 7	12
Saint Blin	12
Sommières 1	6
Sommières 2	6
Vallée de la Trie 1*	12
Vallée de la Trie 2*	12
Vallée de la Trie 3*	12
Vesaignes	10
TOTAL	**352.4**

* Construction permits under appeal following an initial refusal.

Construction permits in the process of application as of 31 December 2008 in **Germany**:

Project name	MW
Elsdorf	1.5
Hoxberg 2	4.5
Neukirchen-Vluyn	4.5
Rassnitz 2	10.5

Project name	MW
Stolpen	1.5
Straelen	3
Wawern	12
TOTAL	**37.5**

Construction permits in the process of application as of 31 December 2008 in **Italy**:

Project name	MW
Belmonte	32.5
Bovino	52
Enna	32
Garessio	47.5

Project name	MW
Giuggianello*	24
Mendicino	37.5
Troia	28
TOTAL	**253.5**

* Construction permits under appeal following an initial refusal.

Construction permits in the process of application as of 31 December 2008 in **Brazil**:

Project name	MW
Maravilha	70

Failure to obtain a construction permit could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

In order to limit the risk linked to not obtaining such permits or having the permits challenged by third parties, the Group develops its projects with the greatest of care, in collaboration with the departments of the State and political bodies and local associations, and employs the services of qualified experts. The Group is seeking, particularly in Germany, to acquire projects having construction permits expunged of all third-party claims from developers whose role, among other things, is to perform all surveys and formalities and obtain the necessary authorisations.

In the case of construction permits obtained in Italy, the Italian regulatory environment and the state of jurisprudence relating thereto involves a risk of the validity of permits obtained being called into question, even when the legal deadline for appeal from third parties has expired. However, a successful outcome to these actions is subject to the existence of exceptional circumstances.

5.1.4. Risks linked to the acceptance of wind projects by the population

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

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

The mobilization of a sector of the population against the establishment of a wind project could thus make it difficult to obtain the construction permit or hinder the operation of said project. The onset of such an event could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

The Group is particularly engaged with the bodies representing the population in all the initial stages of prospecting and diagnosis in order to incorporate all these dimensions.

5.1.5. Risks linked to the availability of installation sites

The selection of future wind farm installation sites of the Group is subject to numerous criteria.

In the first instance, the site must benefit from favorable wind conditions.

Next, the site must take into account different constraints, in particular topographical constraints, the various easements linked to the site, the ease of connection to the local electricity network, environmental constraints (notably linked to the proximity of housing or sensitive and protected sites), etc.

Furthermore, it should be noted that the sharp growth of wind farms installed throughout the world also tends to reduce the number of potential installation sites.

Thus, if installation constraints should become tighter or if the Group is not able to find sites available for its development, this could have a significant negative effect on its activity, its financial situation and its results, as well as on its ability to meet its objectives.

5.1.6. Risks linked to construction activity

The risks linked to the activity of constructing wind farms concern the Group's ability to deliver a finished product within the planned timeframe and budget. This risk may result in the postponement of the acknowledgement of expected revenues from the operation of the wind farm and a decrease in the profitability of the project.

This risk is managed by the contractual framework in place: the Group most often deals with turnkey contracts transferring the risk of cost and delay to the supplier. In addition, within certain limits, the cost overruns remain with the supplier and the delays in the commissioning are compensated by reimbursement. In the case where a turnkey structure is not possible, the Group has a strong experience in the organization of construction contracts and seeks to allocate each risk to the party most capable of managing it.

5.1.7. Risks linked to the change in the selling price of electricity

Group revenues generated by sales of electricity produced from wind energy depend notably on the selling price of electricity. Depending on the country, this selling price may be set by the regulatory authorities in the form of fixed tariffs, or it may result from market price.

The Group cannot guarantee that the regulated tariffs and the market prices will always reach a level that will allow the Group to improve or to retain its profit margins. This could have a significant negative effect on the activity, the financial situation and the results of the Group, as well as on its ability to meet its objectives.

In France and in Germany, where the Group generates the vast majority of its electricity sales, the Group has drawn up long-term electricity sales contracts at the tariff set by the regulatory authorities. Although the Group considers that this risk is low, any decision by the public authorities and the regulator to change the tariffs could affect the realisation of some projects in the process of development.

In Morocco, where the Group generated sales of 6 million euros in 2008, the Group's revenues are subject to the market price of electricity sales; if there is a decrease in this market price, the financial situation of the Group, as well as some projects in the process of development could be affected.

5.1.8. Risks linked to suppliers

The construction of a wind farm requires the delivery and assembly of many technical elements, such as masts or aerogenerators, which only a limited number of suppliers are in a position to supply to the Group.

There are two principal supplier risks:

- Faced with the increase in demand linked to the growth of the market, and considering the limited number of suppliers, the price of the equipment needed for the construction of a wind farm has significantly increased in recent years. Recently, a drop in the price of this equipment was recorded. However, according to the future development of the market, there is a risk of inflation in the price of these elements. An increase in the price of turbines would be likely to harm the profitability of a wind project. This is, however, limited insofar as THEOLIA's investment decisions are made with consideration for the return on operation and the orders of wind turbines framed by contracts restricting these risks as much as possible. As THEOLIA uses several suppliers, the competitive environment thus limits this impact;
- In line with the demand recorded on the market, some suppliers may no longer be able to meet the needs of the Company and consequently would favor bigger players on the market. No guarantee can be given as to whether the principal suppliers of the Group will be able to meet their commitments within the agreed timescales and that the Company will not suffer from delays in delivery.

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

The Company feels that, within the framework of its wind activity, the choice of supplier will be more and more dependent on the ability of the latter to take on the maintenance of the installations. For each wind farm, the Company signs a long-term maintenance contract with the wind equipment suppliers enabling compensation in the event of failure of the installations which guarantees 95% to 98% of annual production.

5.1.9. Risks linked to dependence on clients

Within the framework of its activities of electricity production by wind power, the Group has chosen to sell the electricity it produces to distributors (such as EDF in France), which thus constitute its clients. Although the Group considers the risk of loss or insolvency of one of these distributor clients to be limited, the onset of such an event could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

Within the framework of its activities of selling wind farms to third parties, the Group has a broad client base, composed of wealthy individuals, and is careful not to create dependence on any of these. This allows the Group to identify and to best manage the exposure inherent in these activities.

In general, the Group regularly examines the financial solidity of its various clients, taking into account their financial situation, past experience and other specific factors.

5.1.10. Risks linked to competition from other renewable energy electricity producers

The electricity production market from wind power is growing rapidly throughout the world. Competition within this market could intensify still more in the future. Various players, current or future, could compromise the Company's growth prospects.

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

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

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

The Group operates energy production sites which may present drawbacks or nuisances for residents, or may affect safety or the protection of nature and the environment.

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

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

5.1.12. Risks linked to partnerships

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

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

5.2. Risks linked to the Company

5.2.1. Risks linked to the effect of any acquisitions or investments

The Company makes regular acquisitions within the framework of prospecting and developing its wind projects. No guarantee can be given by the Company as to its ability to succeed in the stage of construction and operation of its projects.

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

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

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

5.2.2. Risks linked to dependence on key employees

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

5.2.3. Risks linked to potential dilution for shareholders

As of 31 December 2008, a number of:

- 3,940,650 stock warrants were in circulation, enabling the issue of 4,015,450 new shares in the Company;
- 400,000 share issue bonds were in circulation, enabling the issue of 400,000 new shares in the Company;
- 581,715 free shares were allocated, ultimately enabling the maximum issue of 581,715 new shares in the Company;
- 11,538,462 OCEANE bonds were issued enabling, in the event of conversion of the bonds at a price of 20.8 euros, the issue of 11,538,462 new shares in the Company.

Of the 3,940,650 stock warrants in circulation, 3,533,650 (90%) have an exercise price greater than or equal to 12.174 euros.

Furthermore, at the date of publication of this document, the contract signed with Société Générale within the context of PACEO having reached its term, the 400,000 share issue bonds have been cancelled.

As of 31 December 2008, if all the securities giving access to the capital had been exercised, a shareholder holding 1% of the share capital before their exercise would have seen his stake fall to 0.71% in the capital of THEOLIA.

5.2.4. Risks linked to sales of assets

Wishing to focus on its wind activity, THEOLIA has initiated a program to sell its non-wind assets. In order to generate cash flow to finance its future growth, the Group has also undertaken a plan to sell some wind projects and assets.

Given the current market conditions, the cash flow difficulties of numerous players and the shrinking credit market, the Group cannot guarantee that it will be in a position to realize the planned sales within the expected conditions of cost and timescale. Furthermore, the Group cannot guarantee that buyers will find the necessary financing for their acquisition.

The onset of these hazards would lead to discrepancies in the Group's cash flow forecasts, and could have a significant negative effect on the activity, the financial situation or the results of the Company, or on its ability to meet its objectives.

5.3. Liquidity risk

5.3.1. Global 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.

5.3.2. Risks associated with obtaining finance

Within the context of its activities, the Company is seeking to develop and finance projects of electricity production plants. The Company finances its projects with equity and external financing made available for each project is with limited recourse on the shareholders and structured in a way that the cash flows for each project are sufficient to serve their debt.

The Groups notes the slow down in the credit markets, the deterioration of financing conditions and the increase of delays in structuring project financing that impacted the second half of 2008. The Group today continues to have access to financing at acceptable conditions.

The Company cannot guarantee that it will be able to dispose of sufficient financing or that the market conditions will be favorable in order to raise financing of any nature (bank loans, raising funds on the capital markets) indispensable for the development of the Company, which could have a significant negative effect on the activity, the financial situation and the results of the Company or its ability to meet its objectives.

5.3.3.Risks associated with current financing conditions

The loans secured to finance the construction of wind parks (France) are subject to covenant and notably to the obligation to respect a ratio: EBITDA/debt service, debt/equity.

In the case of one project in operation in France which is financed independently, the minimum ratio for cover of the debt service was not met. This is explained by the wind resources in 2008 being significantly lower than the long term forecasts. In line with the stipulations of the loan agreement, a default may only de declared if the ratio expected over 2009, calculated on the basis of assumptions agreed to by the lender, is also under the minimum ratio. On the date of closure of the accounts, the elements submitted to the lender regarding the forecasted ratio in 2009 indicate that the minimum ratio is met. Confirmation by the lender of the assumptions underlying the ratio is ongoing. The amount of debts concerned is 6,803 thousand euros.

Moreover, regarding a 10 million euros line of credit in favor of Natenco GmbH, a lender has been informed of the non-respect of a covenant relating to agreed ratios of debt/equity for Natenco GmbH and the likely non-respect of a covenant relating to an insignificant rating decrease at the close of the 2008 fiscal year. There are discussions ongoing regarding the issuance of a waiver on behalf of the bank in light of the fact that 2008 was exceptionally impacted by the suspension of wind farm sales and that the normal activity of selling wind farms has resumed.

Beyond these two exceptions, the other major financial covenants were adhered to at the close of the financial year. At the date of the publication of this report, no case of early reimbursement has been stated concerning the financing of the entire THEOLIA Group.

Under the assumption whereby one of the Group's companies does not fulfill its obligations in terms of financing, early reimbursement could be triggered and would thus present a liquidity risk for the Group.

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

- default on payment of amounts due for credit;
- cross default: early repayment trigger due to the fact of a default of payment of a debt by another company in the Group
- violation of a financing document and in particular the inter-lender subordination and *pari passu* clauses the reduction of guarantees or invalidation of the permits necessary for use, etc;implementation of an execution measure by a lender, such as a seizure on the assets of the project support company;
- measures taken by a lendor such as seize of an asset in one of the project support companies;
- bankruptcy, winding up, provisional administration or liquidation of the project support company;
- change in regulations rendering the continuation of the project illegal;
- nationalization or expropriation of assets necessary for the realization of a project;
- exceeding the construction budget not covered by the associates of the project support company;
- occurrence of a significant unfavourable event;
- destruction of the principal assets of the project;
- failure to adhere to financial debt ratios;
- failure to adhere to debt service coverage ratios (DSCRs).

The obligation for early reimbursement of financing would make it impossible for the Group to pursue the acquisition or development of projects and could have a significant negative effect on its activity, financial situation, its results or its capacity to realize its objectives.

5.3.4.Risks associated with OCEANEs.

On 23 October 2007, THEOLIA launched an issue of OCEANEs expiring on 1 January 2014 described in a prospectus approved by the AMF on 23 October 2007 under number 07-0368.

The gross proceeds of the issue were 240,000,009.60 euros, representing 11,538,462 bonds (after exercising the extension clause and over-allocation options) with a unitary nominal value of 20.80 euros, with a premium of 30% for stock market performance of 16 euros in Company shares. The net proceeds from this issue were 233,560,009.36 euros.

As of 31 December 2008, the Group had spent all the cash generated by the issuance of this bond.

The bonds are to be repaid in full on 1 January 2014 (or the first working day following if this is not a working day) for a price of 22.5430 euros i.e. 108.38% of the nominal value of the bonds.

The OCEANEs represent for the Company a non-conversion risk and a risk of early maturity.

The non-conversion risks lie in unfavorable performance of the stock price (less than the reimbursement price on the date of maturity of the OCEANEs) which would limit the number of conversions of OCEANEs into THEOLIA shares, mechanically increasing the amount to be repaid by THEOLIA.

The risk of early maturity is linked to the fact that any bond holder can, if he wishes, request cash reimbursement as an advance on all or part of his bonds:

- either on 1 January 2012 (or the first business day following if this is not a business day) at the advance reimbursement price (21.9398 euros) plus interest, a total of 253,151,548 euros;
- or, at any time, in the event of a change in control of the Company, including through merger, consolidation, re-grouping or a similar transaction, at the price of advance reimbursement plus interest.

If the shareholders at the AGM so decide, the bond holders can also make due all of the bonds at the advance reimbursement price plus interest, in the following situations:

- if the Company does not pay its current liabilities on time, the interest due for any bond, if it is not remedied by the Company within 7 working days from the date they become due;
- if the Company does not execute any other stipulation relative to the bonds, and if it does not remedy this non-execution within 30 days of the Company receiving written notification of the said non-fulfilment;
- in the case of default on one or more other financial debts or guarantee of the Company's financial debts or those of one of its important subsidiaries for a total of at least 1 million euros;
- in the event of early reimbursement triggered following default of the Company or one of its important subsidiaries on another financial debt worth more than 1 million euros;
- if the Company or one its important subsidiaries is involved in a conciliation or safeguard procedure, has terminated payments, enters into compulsory liquidation or the total sale of its business;
- if the Company shares are no longer admitted to trade on the Euronext Eurolist market or any regulatory market within the European Union.

The Company cannot guarantee that it will have sufficient liquidity or that market conditions will be favourable to allow it to meet its obligations. The Company's capacity to reimburse the bonds will depend on its cash flow at the time of reimbursement and may be limited by law, by the debt terms as well as by the agreements entered into at that time and which will be able to replace, supplement or modify the Company's existing or future debt.

5.4. Market risks

5.4.1. Interest rate risks

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.

5.4.2. Exchange rate risks

The Company has little exposure to exchange rate risks in so far as the majority of its transactions are made in the euro zone (France and Germany in particular). Nonetheless, THEOLIA is developing and making investments in certain countries which it will be exposed to exchange rate risk (Morocco, India and Brazil). As of 31 December 2008, this risk is very slight and partially controlled by managing expenses and receipts in the currency of the entity concerned. In any event, exposure to accrued exchange rate risk could have a significant negative effect on the Company's activity, financial situation and results or its ability to meet its objectives.

5.4.3. Counterparty risk

The Company cannot guarantee that its financial partners will be able to fulfil their obligations to the Company in terms of financial instruments or insurance coverage in particular. There is therefore a risk of financial loss for the Group if a counterparty to a financial instrument or an insurer were to not fulfill its contractual obligations.

5.5. Legal risks

5.5.1. Risks associated with exceptional events and current disputes

Within the normal context of its activities, the Group is, or is susceptible to be, involved in legal proceedings. Damages and interest are, or can be, requested within the context of some of these proceedings affecting the Company or the Group companies. The Group believes currently that the nature of the disputes or legal action or the amounts involved as far as it is aware, do not require complementary provisions to be created as of 31 December 2008 beyond those which have already been established. The Company does not expect these disputes or legal proceedings to have a significant effect on its consolidated financial situation in the event of unfavorable outcome.

As far as the Group is aware, there is no governmental, legal or arbitration procedure, either in suspense or which has been threatened, which is likely to have or has had over the past twelve months significant effects on the financial situation or the profitability of the Group.

5.5.2. Risks associated with intellectual property and industrial rights

The Company holds or validly owns intellectual and industrial property usage rights, particularly brands and domain names that it uses within the context of its activities. The Group has implemented a systematic policy to defend its rights, but it cannot be certain that the steps taken to protect its intellectual property rights will be effective, or that third parties will not counterfeit or divert their intellectual property rights.

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

Given the importance of brand awareness for the Group, any counterfeiting or diverting of this kind could have a negative effect on the Group's activity, financial situation and results or its ability to meet its objectives.

5.5.3. Risks associated with regulation and its development

Legislation and regulations applicable to electricity production from renewable energy sources, which are currently favorable to the Group, are susceptible to future developments which might be positive or negative for the Group. The Company cannot guarantee that these developments will not involve supplementary costs or that they will fit in with the Group's developmental model.

Although a policy of support for renewable energy has been seen over recent years and the European Union regularly expresses its desire to continue and reinforce this policy, the Group cannot guarantee that this will continue. In particular, it cannot guarantee that the electricity produced by its future production sites will benefit from a legal purchase obligation from its usual producers and/or distributors, fiscal incentives or other measure of support for renewably-produced electricity, or that these measures will not be reduced in future.

The Group and all of its production sites must conform to numerous regulatory provisions. Reinforcement of regulations or their implementation could bring about new operating conditions for the Group which are likely to result in it increasing its investment expenses or its expenses (notably by the implementation of procedures or controls or additional oversight); or it may even constitute a brake on the Group's development.

In France, the Company cannot guarantee that the wind development zones in particular will correspond to the Company development projects, or that the electricity produced by all its future wind plants will still benefit from the EDF purchase obligation and fiscal measures which allow them to make use of exceptional amortization over twelve months.

In these conditions, no guarantee can be given on the fact that sudden or important modifications to French or European legislation will intervene, which could have a significant negative effect on the Company's activity, financial situation and results or its ability to meet its objectives.

5.6. Insurance and risk cover

The Group has implemented a policy of covering the principal risks associated with its activity and susceptible for insurance, with the usual excesses or exclusions imposed by the market. To this end, during the financial year 2008, the Group paid a total of 1,295 thousand euros in insurance premiums, compared to 709 thousand euros during the financial year 2007. This increase is mainly due to additional insurance associated with the parks purchased in mid-2007 (and insured over the full year of 2008), as well as purchases made in 2008.

Nonetheless, it cannot be guaranteed that the Group's insurance policies are or will be sufficient to cover any losses resulting from a significant reduction in the Group's electric production due to damage to several plants, the absence of replacement solutions or the time required to implement such repairs or replacements. If the Group were to be confronted with significant damage for which it was uninsured or which exceeds the limit of the damage covered, the costs charged to the Group and not paid by the Group could have a significant negative effect on the Group's activity or financial situation.

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

The Company has civil liability operational insurance and civil professional liability insurance with AIG Europe, which covers the Group companies against the financial consequences of civil liability that they may encounter through corporal, material or immaterial damage resulting from their activities. This guarantee is exercized in particular in the case of damages caused to others by companies covered by the insurance policy or things for which they are responsible.

The Company has taken out insurance with CNA regarding the civil liability of company representatives.

The Company has taken out insurance policies for its energy plants during their construction stage:

- insurance covering the various site risks known as “All Site Risks“: for the period of construction up to acceptance of the work; this insurance covers all parties involved in the construction, including those providing financing, if applicable, and covers material damages, including fire, machinery breakage, explosions sustained by the structure (material and civil engineering) and financial losses following material damage or breakdown;
- transport insurance: in some cases, the Company has also chosen to take out transport insurance to protect against material damage to items transported which are “strategic” transports because of the significance of the consequences on the operation of the site and the resulting financial losses;
- “structural damage“ insurance.

Moreover, the Group takes out new insurance when the operational stage commences. This covers in particular fire and associated risks, machinery breakage, operational losses, operational liabilities and natural disasters.

6. CORPORATE GOVERNANCE

6.1. Separation of the roles of Chairman and CEO

Following the resignation of Jean-Marie Santander from his roles as Chairman, CEO, and director of THEOLIA on 29 September 2008, the Board of Directors has divided the roles of Chairman and CEO, thereby adopting a business governance practice which conforms with best market practice.

6.2. Composition of the Board of Directors

As of 31 December 2008, the THEOLIA Board of Directors comprised seven members:

- Eric Peugeot, Chairman of the Board of Directors,
- Louis Ferran, director,
- Stéphane Garino, director,
- Georgius J.M. Hersbach, director,
- Arne Lorenzen, director,
- Philippe Perret, director,
- Sofinan Sprl, represented by Norbert Van Leuffel, director.

As of 31 December 2007, the Board of Directors comprised eleven members.

Jean-Marie Santander was Chairman and CEO until 29 September 2008, Andrew Marsden and Ramzi Nassar were directors until 18 December 2008 and Jacques Putzeys was a director until 30 December 2008.

Andrew Marsden and Ramzi Nassar, representing GE Energy Financial Services on the Board, resigned as directors following the transfer of the GE Energy Financial Services' THEOLIA shares to GAMA Enerji on 19 December 2008 and Jacques Putzeys, Chairman of Thenergo, resigned as a director following the sale by THEOLIA of its entire holding in Thenergo in December 2008.

On the date of publication of this Report, Philippe Perret resigned as a director on 21 January 2009 and Arne Lorenzen did so on 11 February 2009. They have not been replaced.

6.3. Committees of the Board of Directors

During the financial year 2008, the Board of Directors made two specialist Committees responsible for preparing its resolutions: the Audit Committee and the Appointments and Remuneration Committee.

The objectives of these Committees are set out in the Rules of Procedure of the Board of Directors, which are appended to this Report.

6.4. List of mandates and roles of the Company officers

The table below presents the mandates and roles exercised over the past five years by the Company officers (or if applicable, those of a permanent officer of a director which is a legal entity) holding a Company mandate as of 31 December 2008.

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Louis FERRAN* 2, chemin de Savy 1271 Givrins Switzerland Age 63	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008		Director of THEOLIA Director of Biocarb SA	Director and Associate Manager of Rocimmo SA, Alfy SA, Mavirofe SA, Piasdi SA, DBI Helvetia
Stéphane GARINO* 28, boulevard de Belgique 98000 Monaco Monaco Age 36	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008	Chairman of the Audit Committee	Director of THEOLIA	Director of ACTIS SA Monégasque Director of Thenergo Director of GRE Holding

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Georgius J.M. HERSBACH* Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht Netherlands Age 56	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008		Director of THEOLIA	CEO of Heartstream Group B.V. CEO of Heartstream Corporate Finance B.V. CEO of Heartstream Capital B.V. Vice-Chairman of the Supervisory Board of Global Interface SA Member of the Board of Directors of NovaRay Medical, Inc. Member of EU Enterprise Policy Group - Professional Chamber
Arne LORENZEN 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France Age 46	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008	Executive Vice-President Operations	Director of THEOLIA until 11 February 2009 Manager of Theolia Deutschland GmbH Manager of Theolia Deutschland Verwaltungs GmbH Director of VENTURA SA Director of Ecolutions Director of Maestrale Green Energy Manager of Natural Energy Corporation GmbH Manager of Natenco Holding GmbH Director of Compagnie Eolienne du Détroit Director of Theolia Emerging Markets Director of Theolia Morocco Director of Theolia Morocco Services Director of Tanger Med Wind	-

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Philippe PERRET 51 rue Arnould - Villa 23 13011 Marseille France Age 46	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008	Executive Vice-President Finance until 30 September 2008	Director of THEOLIA until 21 January 2009	Director of Mandarine Group Director of Global Eco Power
Éric PEUGEOT* Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd) Switzerland Age 53	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008	Chairman of the THEOLIA Board of Directors since 29 September 2008	Director of THEOLIA	Chairman Director of Peugeot Belgium Chairman of Peugeot Nederland NV Chairman Director of Peugeot Portugal Automoveis Director of Établissements Peugeot Frères Director of LFPF Director of IP EST Director of SKF
SPRL Sofinan* Company under Belgian law Leopoldlei 94 B2930 Brasschaat Belgium Represented by **Norbert Van LEUFFEL** Age 65	AGM 13 October 2006	13 October 2009		Director of THEOLIA whose permanent representative is Norbert VAN LEUFFEL	Director of Thenergo whose permanent representative is Norbert VAN LEUFFEL until 24 March 2009 Chairman of the Board of Directors of Thenergo whose permanent representative is Norbert VAN LEUFFEL since 24 March 2009

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Marc VAN'T NOORDENDE 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France Age 50			Chief Executive Officer since 29 September 2008		Chief Operating Officer (COO) and member of the Executive Committee of Essent N.V. Member of the Supervisory Board of SWB A.G. Member of the Supervisory Board of Endex N.V. Member of the Board of Directors of VNO/NCW Chairman of WENB Chairman of CAIW Director of STT

* independent directors

The table below presents the mandates and roles exercised over the past five years by Company representatives who held a Company mandate during the financial year 2008, but not on 31 December 2008.

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Andrew MARSDEN GE Capital Limited, 50 Berkley Street, LONDON W1J 8HA Age 42	AGM 27 June 2007	AGM called to approve the accounts to 31 December 2009		Director of THEOLIA until 18 December 2008	Managing Director of GE Energy Financial Services Europe
Ramzi NASSAR 120, Long Ridge Road, CT06927 Stamford, USA Age 53	AGM 27 June 2007	AGM called to approve the accounts to 31 December 2009		Director of THEOLIA until 18 December 2008	Managing Director of the Global and Water Portfolio Equity of GE Energy Financial Services

Name, address, age	Date of first appointment	Date of expiry of mandate	Role within the Company	Principal mandates and roles within the Group	Principal mandates and functions exercised outside the Company in the past 5 years
Jacques PUTZEYS 11 rue des Géraniums - 98000 Monaco Monaco Age 58	AGM 14 April 2006	AGM called to approve the accounts to 31 December 2008	Chairman of the Nomination and Remuneration Committee until 30 December 2008	Director of THEOLIA until 30 December 2008 Director of THEOLIA Ibérica until 1 October 2008	Director of Conporec Director of H_2O Innovation Chairman of the Board of Directors of Thenergo until 24 March 2009 Non-executive Director of Thenergo since 24 March 2009
Jean-Marie SANTANDER Traverse de la Sauvageonne - 13400 Aubagne France Age 57	AGM 14 April 2006	AG called to approve the accounts to 31 December 2008	Chairman and CEO until 29 September 2008	Chairman of the Board of Directors of Ventura SA until 29 September 2008 Director of THEOLIA Ibérica until 1 October 2008	Director of AB Fenêtre Chairman of the Board of Directors of Mandarine Group Chairman of Colibri Holding SAS Director of IC Telecom Chairman and CEO of Global Eco Power Vice-Chairman and non-executive director of Thenergo until 29 September 2008

These individuals have left the Board of Directors of the Company; the information above is based on the data published for the financial year 2007 and information known to the company.

6.5. Remuneration of Company's officers

In a press release published on 29 December 2008, THEOLIA noted that at the meeting of 18 December 2008, the Board of Directors of the Company examined the AFEP and MEDEF recommendations dated 6 October 2008 regarding the remuneration of company officers who are directors of listed companies.

The Board of Directors of THEOLIA considers these recommendations to be part of the Company's corporate governance approach and notes that a large number of these recommendations are already applied within the Group.

THEOLIA subscribes voluntarily to the AFEP and MEDEF recommendations.

In 2008, no company representative who is a director benefited from an employment contract tying him to the Company and no director company representative benefited from a specific pension arrangement.

The following tables have been drawn up in conformity with the AFEP and MEDEF recommendations. They detail the amount of remuneration paid and the benefits in kind granted by the Company and its subsidiaries during the financial years ending 31 December 2007 and 2008, to the Chairman and CEO until 29 September 2008, to the Chairman and to the CEO since 29 September 2008.

6.5.1. Summary table of remuneration, options and shares attributed to each company officer (in thousands of euros)

Jean-Marie Santander, Chairman and CEO until 29 September 2008	Financial year 2007	Financial year 2008
Remuneration in cash		
Remuneration due for the financial year (see details 6.5.2.)	2,028	1,326
Other non-cash payments		
Value of options attributed during the financial year	245	145 (1)
Value of performance shares attributed during the financial year	1,037	1,869 (2)
Total	**3,310**	**3,340**
Eric Peugeot, Chairman since 29 September 2008	Financial year 2007	Financial year 2008
Remuneration in cash		
Remuneration due for the financial year (see details 6.5.2.)	17	67.5
Other non-cash payments		
Value of options attributed during the financial year	111	94 (1)
Value of performance shares attributed during the financial year	-	-
Total	**128**	**161.5**
Marc Van't Noordende, CEO since 29 September 2008	Financial year 2007	Financial year 2008
Remuneration in cash		
Remuneration due for the financial year (see details 6.5.2.)	N/A	195 (3)
Other non-cash payments		
Value of options attributed during the financial year	N/A	-
Value of performance shares attributed during the financial year	N/A	-
Total	**N/A**	**195**

(1) See details 6.5.4.
(2) See details 6.5.6.
(3) As part of a service contract. Amount before tax.

The value of the options (stock warrants) and performance shares (free shares) allocated during the financial year do not constitute remunerations in cash and have no impact on the Group cash and cash equivalents.

The value of performance shares is determined on the day of allocation, and is 18.69 euros for the 100,000 free shares attributed on 8 January 2008 and 18.45 euros for the 56,215 free shares attributed on 6 February 2007. THEOLIA share price was 3.04 euros when the financial year closed on 31 December 2008.

The value of stock warrants was determined on the date of allocation, using the Black and Scholes model or, as necessary, the model developed by J. Hull and A. White, which allows the fair value of the option to be determined.

Moreover, under the contract for temporary CEO, granted to Marc Van't Noordende on 29 September 2008, THEOLIA covered his travel and accommodation costs, and made a vehicle available to him.

6.5.2. Summary table of remuneration for each company officer (in thousands of euros)

Jean-Marie Santander, Chairman and CEO until 29 September 2008	Amounts for the financial year 2007		Amounts for the financial year 2008	
	Due	Paid	Due	Paid
Fixed remuneration	412	412	717 (1)	717 (1)
Variable remuneration	1,597	1,597	159	159
Exceptional remuneration	-	-	450 (2)	450 (2)
Honorariums	8	8	-	-
Benefits in kind	11	11	-	-
Total	**2,028**	**2,028**	**1,326**	**1,326**
Eric Peugeot, Chairman since 29 September 2008	Amounts for the financial year 2007		Amounts for the financial year 2008	
	Due	Paid	Due	Paid
Fixed remuneration	-	-	-	-
Variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Honorariums	17	17	67.5	30
Benefits in kind	-	-	-	-
Total	**17**	**17**	**67.5**	**30**
Marc Van't Noordende, CEO since 29 September 2008	Amounts for the financial year 2007		Amounts for the financial year 2008	
	Due	Paid	Due	Paid
Fixed remuneration	N/A	N/A	195 (3)	195 (3)
Variable remuneration	N/A	N/A	-	-
Exceptional remuneration	N/A	N/A	-	-
Honorariums	N/A	N/A	-	-
Benefits in kind	N/A	N/A	-	-
Total	**N/A**	**N/A**	**195**	**195**

(1) As part of a service contract. Amount before tax.

(2) The exceptional remuneration paid to Jean-Marie Santander in 2008 corresponds to the indemnity paid on his departure. The amount of this indemnity is in conformity with the AFEP and MEDEF recommendations.

(3) As part of a service contract. Amount before tax.

Jean-Marie Santander was salaried during the financial year 2007 and holder of a service contract during the financial year 2008. The amounts indicated in the table above thus cannot be compared from one year to the next.

In 2007, the total salary cost of Jean-Marie Santander's fixed remuneration (total of the net taxable fixed remuneration and associated employer costs) was 542 thousand euros..

The variable remuneration paid to Jean-Marie Santander in the financial years 2007 and 2008 was mainly based on the performance of the Company's stock market capitalization.

6.5.3 Honorariums paid to each company officer (in thousands of euros)

	Honorariums for the financial year 2007	Honorariums for the financial year 2008
Jean-Marie Santander, Chairman and CEO until 29 September 2008	8	-
Eric Peugeot, Chairman since 29 September 2008	17	67.5
Marc Van't Noordende, CEO since 29 September 2008	-	-
Total	**25**	**67.5**

Since the change in management on 29 September 2008, the Company has implemented a system of fixed remuneration for directors, based solely on the honorariums.

6.5.4. Stock warrants attributed during the financial year 2008 to each company officer

	Jean-Marie Santander, Chairman and CEO until 29 September 2008	**Eric Peugeot**, Chairman since 29 September 2008	**Marc Van't Noordende,** CEO since 29 September 2008
N° and date of plan	BSA PC 880 M 2008 28/06/2008	BSA EP 2008 06/05/2008	-
Type of options	Stock warrants	Stock warrants	-
Number of options attributed during the financial year	37,093	29,093	-
Exercise price	15.64	12.95	-
Term	4 years	5 years	-

1 stock warrant is equal to 1 THEOLIA share.

6.5.5. *Stock warrants exercised during the financial year 2008 by each company officer.*

	Jean-Marie Santander, Chairman and CEO until 29 September 2008	**Eric Peugeot**, Chairman since 29 September 2008	**Marc Van't Noordende,** CEO since 29 September 2008
N° and date of plan	BSA 2003-5 19/12/2003	-	-
Number of options exercised during the financial year	84,000	-	-
Exercise price	2.06	-	-
Year attributed	2003	-	-

The exercise of these 84,000 stock warrants gave rise to the creation of 99,708 new Company shares (1.187 shares per stock warrant). These stock warrants were taken on 18 January 2008.

6.5.6. *Performance shares attributed during the financial year 2008 to each company officer*

	Jean-Marie Santander, Chairman and CEO until 29 September 2008	**Eric Peugeot**, Chairman since 29 September 2008	**Marc Van't Noordende,** CEO since 29 September 2008
Date of plan	08/01/2008	-	-
Number of free shares attributed during the financial year	100,000	-	-
Increase in shares according to the method used for the consolidated accounts (in thousands of EUR)	1,869	-	-
Date of purchase	08/01/2010	-	-
Date available	08/01/2012	-	-

6.5.7. *Performance shares made available during the financial year 2008 for each company officer*

No performance shares became available during the financial year 2008 for company officers.

6.5.8. Additional information

	Employment contract in 2008		Supplementary pension		Indemnities or advantages due or which may be due through termination or change of role		Indemnities relative to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marie Santander, Chairman and CEO until 29 September 2008		X		X	X		X	
Eric Peugeot, Chairman since 29 September 2008		X		X		X		X
Marc Van't Noordende, CEO since 29 September 2008		X		X	X			X

6.6. Remuneration of non-executive company officers

6.6.1. Remunerations, benefits in kind and honorariums attributed to each non-director company representative during the financial years 2007 and 2008

(in thousands of euros)	Paid for financial year	Fixed remuneration	Variable remuneration	Exceptional remuneration	Benefits in kind	Honorar-iums	**Total**
Louis Ferran	2007	-	-	-	-	16	**16**
	2008	-	-	-	-	42	**42**
Stéphane Garino	2007	-	-	-	-	20	**20**
	2008	-	-	-	-	42	**42**
Georgius J.M. Hersbach	2007	-	-	-	-	22	**22**
	2008	-	-	-	-	27	**27**
Arne Lorenzen	2007	132	50	-	5	-	**187**
	2008	160	-	-	5	-	**165**
Andrew Marsden	2007	-	-	-	-	-	**-**
	2008	-	-	-	-	-	**-**
Ramzi Nassar	2007	-	-	-	-	-	**-**
	2008	-	-	-	-	-	**-**
Philippe Perret (1)	2007	123	89	-	4	-	**216**
	2008	125	-	-	5	-	**130**
Jacques Putzeys	2007	138 (2)	-	-	-	15	**153**
	2008	46 (2)	-	-	-	30	**76**
Sofinan Sprl (represented by Norbert Van Leuffel)	2007	-	-	-	-	20	**20**
	2008	-	-	-	-	30	**30**

(1) Philippe Perret resigned from his operational functions on 30 September 2008.
(2) As part of a service contract which terminated at the end of April 2008. Amounts before tax.

The company representatives who receive a salary (Arne Lorenzen and Philippe Perret) did not receive an honorarium.

They did not receive any premiums in 2008.

The premiums they received in 2007 were determined:

- According to the development of the Group's portfolio for Arne Lorenzen,
- According to the performance of the stock price for Philippe Perret.

6.6.2. Stock warrants attributed to non-executive company officers during the financial year 2008

	N° and date of plan	Number of stock warrants attributed during the financial year	Exercise price	Maturity Date
Louis Ferran	BSA LF 08	29,093 (2)	12.95	5 years

	06/05/2008			
Stéphane Garino	BSA SG 08 06/05/2008	31,451 (2)	12.95	5 years
Georgius J.M. Hersbach	-	-	-	-
Arne Lorenzen	-	-	-	-
Andrew Marsden	-	-	-	-
Ramzi Nassar	-	-	-	-
Philippe Perret	-	-	-	-
Jacques Putzeys	-	-	-	-
Sofinan Sprl (represented by Norbert Van Leuffel)	BSA SO 08 06/05/2008	29,093 (1)	12.95	5 years

(2) 1 stock warrant equals 1 THEOLIA share.

6.6.3. Stock warrants exercised by non-executive company officers during the financial year 2008

	N° and date of plan	Number of stock warrants attributed during the financial year	Exercise price	Year attributed
Louis Ferran	-	-	-	-
Stéphane Garino	-	-	-	-
Georgius J.M. Hersbach	BSA CS3 28/01/2005	50,000 (1)	4.85	2005
Arne Lorenzen	-	-	-	-
Andrew Marsden	-	-	-	-
Ramzi Nassar	-	-	-	-
Philippe Perret	-	-	-	-
Jacques Putzeys	BSA CS3 28/01/2005	50,000 (2)	4.85	2005
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-

(1) Exercise of these 50,000 stock warrants gave rise to the creation of 59,350 new Company shares (1.187 shares are equal to one stock warrant).

(2) Exercise of these 50,000 stock warrants gave rise to the creation of 59,350 new Company shares (1.187 shares are equal to one stock warrant).

6.6.4. *Free shares attributed to non-executive company officers during the financial year 2008*

	Date of plan	Number of free shares attributed during the financial year	Valuation of the shares according to the method selected for consolidated accounts (in thousands of euros)	Date of purchase	Date available
Louis Ferran	-	-	-	-	-
Stéphane Garino	-	-	-	-	-
Georgius J.M. Hersbach	-	-	-	-	-
Arne Lorenzen	30/01/2008	50,000	831	30/01/2010	30/01/2012
Andrew Marsden	-	-	-	-	-
Ramzi Nassar	-	-	-	-	-
Philippe Perret	30/01/2008	50,000	831	30/01/2010	30/01/2012
Jacques Putzeys	-	-	-	-	-
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-	-

6.6.5. *Free shares becoming available for non-executive company officers during the financial year 2008*

	Date of plan	Number of free shares becoming available during the financial year	Purchase conditions	Date available
Louis Ferran	-	-	-	-
Stéphane Garino	-	-	-	-
Georgius J.M. Hersbach	-	-	-	-
Arne Lorenzen	-	-	-	-
Andrew Marsden	-	-	-	-
Ramzi Nassar	-	-	-	-
Philippe Perret	-	-	-	-
Jacques Putzeys	-	-	-	-
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-

6.7. Stake of company officers in the capital as of 31 December 2008

	Number of shares	% of capital	% of voting rights
Eric Peugeot	10	NS	NS
Louis Ferran	150	NS	NS
Stéphane Garino	36,668	0.09%	0.18%
Georgius J.M. Hersbach	38,553	0.1%	0.09%
Arne Lorenzen	10	NS	NS
Andrew Marsden	1	NS	NS
Ramzi Nassar	1	NS	NS
Philippe Perret	102,000	0.26%	0.25%
Jacques Putzeys	5,900	NS	NS
Jean-Marie Santander	463,092	1.16%	1.64%
Sofinan Sprl (represented by Norbert Van Leuffel)	1,010	NS	NS
Marc Van't Noordende	-	-	-

6.8. History of attribution of stock warrants

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	G. Hersbach	G. Hersbach	Heartstream	Darts	E. Peugeot
Subscription price	0.000485	0.000485	0.00039	0.0001	0.0001
Exercise price	4.85	4.85	3.90	15.28	15.28
Term	5 years from the subscription		02-May-10	17-May-12	24-May-12
Parity	1.187	1.187	1.187	1	1
Balance as of 31 December 2008	50,000	50,000	300,000	7,000	29,093
Attributed during the financial year	-	-	-	-	-
Exercised during the financial year	-	-	-	-	-
Expired or not exercisable during the financial year	-	-	-	-	-
Balance	50,000	50,000	300,000	7,000	29,093

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Holder	JM Santander	L. Ferran	S. Garino	Sofinan Sprl	E. Peugeot
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 cut-off date	11-June-12	19-May-12	16-May-12	19-May-12	01-Jan-13
Parity	1	1	1	1	1
Balance as of 31 December 2008	64,000	29,093	31,451	7,000	29,093
Attributed during the financial year	-	-	-	-	-
Exercised during the financial year	-	-	-	-	-
Expired or not exercisable during the financial year	-	-	-	-	-
Balance	64,000	29,093	31,451	7,000	29,093

	BSA LF07	BSA SO07	BSA SG07	BSA GF	BSA JMS PC 800M
Holder	L. Ferran	Sofinan Sprl	S. Garino	G. Fairbank	JM Santander
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28	12.17
Exercise cut-off date	01-Jan-13	01-Jan-13	01-Jan-13	28-June-09	31-Dec-12
Parity	1	1	1	1	1
Balance as of 31 December 2008	29,093	29,093	31,451	18,000	80,460
Attributed during the financial year					
Exercised during the financial year					
Expired or not exercisable during the financial year					
Balance	29,093	29,093	31,451	18,000	80,460

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	Gama Enerji	Gama Enerji	E. Peugeot	L. Ferran	S. Garino
Subscription price	0.0010	0.0010	0.0001	0.0001	0.0001
Exercise price	16.50	17.50	12.95	12.95	12.95
Exercise cut-off date	03-Jan-11	02-Jan-12	02-Jul-13	02-Jul-13	02-Jul-13
Parity	1	1	1	1	1
Balance as of 31 December 2008	1,500,000	1,500,000	29,093	29,093	31,451
Attributed during the financial year					
Exercised during the financial year					
Expired or not exercisable during the financial year					
Balance	1,500,000	1,500,000	29,093	29,093	31,451

	BSA SO 08	BSA PC 880 M 2008
Holder	Sofinan Sprl	JM Santander
Subscription price	0.0001	0.0001
Exercise price	12.95	15.64
Exercise cut-off date	02-Jul-13	31-Dec-12
Parity	1	1
Balance as of 31 December 2008	29,093	37,093
Attributed during the financial year		
Exercised during the financial year		
Expired or not exercisable during the financial year		
Balance	29,093	37,093

6.9 Stock warrants granted to and exercised by the ten top employees who are not company officers

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7. INFORMATION CONCERNING THE SHARE CAPITAL

7.1. Share capital

The shares or marketable securities issued by the Company are bearer securities or nominative securities. Nominative shares can be converted to the bearer, unless otherwise legally stipulated. These shares or marketable securities, whatever their form, must be kept in an account according to the conditions set out by current law and regulations. The rights on the shares are the result of registration according to the conditions and methods set out by current law and regulations.

All the shares issued have been totally subscribed; they are of the same category and all have a nominal value of 1 euro.

It should be noted that a voting right double that conferred on other shares, with regard to the percentage of share capital that they represent, is allocated to all shares entirely subscribed for which the nominative registration for at least two years in the name of the same shareholder is required, whether the shareholder is a French citizen or citizen of a member state of the European Union.

On 31 December 2008, there were 39,746,992 shares for a net total of 41,211,437 voting rights (1,556,024 double voting rights as of 31 December 2008 and 91,579 shares held by the Group).

The table below indicates the pledged shares of THEOLIA held in nominative form:

Name of shareholder registered as nominative	Beneficiary	Starting date of pledge	Maturity date of pledge	Condition for lifting pledge	Number of shares pledged by the issuer	% of capital pledged by the issuer
Edmond ALMIRALL	Crédit du Nord (via the Société Générale)	27/04/2007	-	-	1,363	0.0034%
Stéphane GARINO		09/01/2006	-	-	30,000	0.075%

7.2. Historical summary of capital during the last three financial years

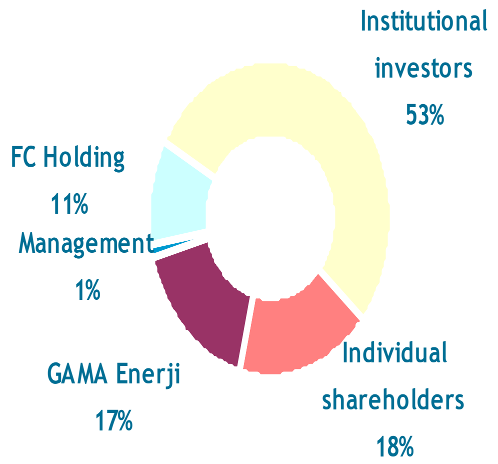
The table below details the development of the capital from 1 July 2004 to 31 December 2008.

Date	Nature of transaction	Share capital
01/07/2004	Capital at the opening of the financial year 2004-2005	1,790,981
16/08/2004	Exercise of stock warrants	2,324,315
13/09/2004	Exercise of stock warrants	2,325,015
17/10/2004	Exercise of stock warrants	2,325,815
20/10/2004	Equity Line	4,433,815
03/11/2004	Exercise of share stock warrants	4,434,815
18/11/2004	Equity line	4,826,815
03/01/2005	Exercise of stock warrants	4,829,115
28/01/2005	Exercise of stock warrants	4,831,515
01/03/2005	Equity line	5,567,251
07/03/2005	Equity line	7,810,765
11/05/2005	Exercise of stock warrants, bond conversion, equity line	8,358,024
17/06/2005	Contribution in kind	8,595,524
28/06/2005	Reserved capital increase	9,595,524
30/06/2005	**Capital at the end of the financial year 2004-2005**	**9,595,524**
04/07/2005	Equity line	11,176,783
29/09/2005	Reserved capital increase, exercise of stock warrants, equity line	11,432,423
28/10/2005	Exercise of stock warrants	12,337,371
31/01/2006	Capital increase through public offering	15,117,269
27/02/2006	Exercise of stock warrants, bond conversion	15,289,447
08/05/2006	Exercise of stock warrants, equity line, reserved capital increase	18,665,757
11/07/2006	Equity line, exercise of stock warrants	18,842,757
11/08/2006	Equity line, exercise of stock warrants	18,925,883
27/10/2006	Equity line, exercise of stock warrants, PACEO	19,799,813
21/12/2006	Equity line, exercise of stock warrants, PACEO	23,585,349
22/12/2006	Contribution in kind	25,403,531
31/12/2006	**Capital at the end of the financial year 2005-2006 (18 months)**	**25,403,531**
06/02/2007	Exercise of stock warrants, PACEO	29,254,119
21/03/2007	Exercise of stock warrants, equity line, debt repayment	31,483,409

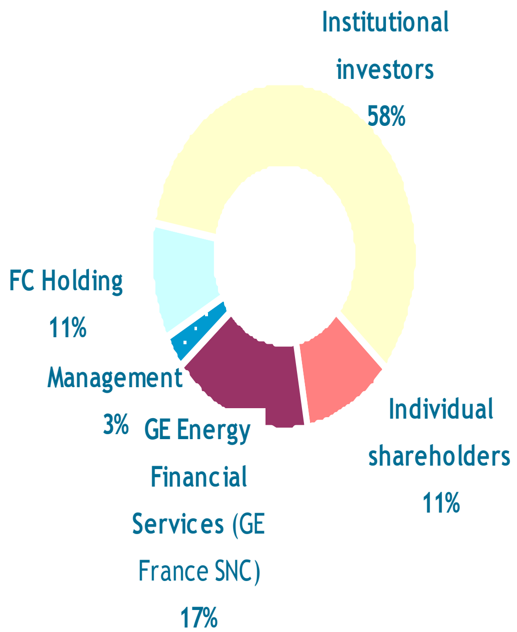
02/07/2007	Exercise of stock warrants, contribution in kind, reserved issue	38,235,117
09/09/2007	Issue of free shares, exercise of stock warrants	38,273,117
31/12/2007	**Capital recorded at the end of the financial year 2007**	**38,273,117**
08/01/2008	Exercise of stock warrants	38,681,671
28/06/2008	Exercise of stock warrants	38,900,079
27/08/2008	Exercise of stock warrants	38,945,804
05/11/2008	Issue of free shares, exercise of stock warrants	39,353,304
30/12/2008	Exercise of stock warrants	39,746,992
31/12/2008	**Capital recorded at the end of the financial year 2008**	**39,746,992**

7.3. Shareholders of the THEOLIA Group

Following a TPI (shareholder identification) study, the distribution of the shareholders of the Company as of 12 December 2008 is as follows:



Following a TPI (shareholder identification) study, the distribution of the shareholders of the Company as aof 10 March 2008 is as follows:



The disclosures made to AMF during the financial year 2008 are as follows:

Date of declaration	Name of Holder	Type of disclosure	Date of disclosure	% of capital held following this disclosure	% of voting rights held following this disclosure
15/09/2008 16/09/2008	BlackRock Investment Management (UK) Limited	Downwards	11/09/2008	4.96%	4.76%
06/10/2008 07/10/2008	Pierre Salik and his family	Upwards	09/09/2008	5.41%	5.20%
29/10/2008 30/10/2008	Willi Balz, in his own name and acting as intermediary for the German companies FC Holding GmbH and Financial Consulting GmbH which he controls	Downwards	22/10/2008	10.39%	9.98%
16/12/2008	Willi Balz, in his own name and acting as intermediary for the German companies FC Holding GmbH and Financial Consulting GmbH which he controls	Upwards	10/12/2008	10.55%	10.12%
22/12/2008	GE France SNC	Downwards	19/12/2008	0%	0%
29/12/2008	Gama Enerji AS	Upwards	19/12/2008	16.59%	15.92%

The last two disclosures mentioned above result from the sale by GE France SNC of 6,462,000 THEOLIA shares to the Turkish company Gama Enerji AS. On this occasion, Gama Enerji AS also purchased 3,000,000 stock warrants giving the right, through subscription, to the same number of THEOLIA shares. These warrants were purchased from EFS-B Inc, a subsidiary of General Electric Company.

Gama Enerji AS is held at par by the Turkish company Gama Holding AS and the Company under Delaware (USA) law, GE Energy Financial Services, itself a subsidiary of the Company under New York (USA) law, General Electric Company.

The following transactions were declared to AMF by the company officers regarding Company's securities during the financial year 2008:

Declared by	Date of transaction	Type of transaction	Unit price (in euros)	Value of transaction (in euros)
Jean-Marie SANTANDER	09/05/2008	Sale	24.00	4,800.00
	12/09/2008	Purchase	9.20	3,237.33
Philippe PERRET	23/09/2008	Purchase	10.27	51,848.75
	03/10/2008	Purchase	7.09	70,909.45
Arne LORENZEN	19/06/2008	Purchase	18.64	2,982.40
George J.M. HERSBACH (1)	27/08/2008	Other	13.94	41,820.00
	28/08/2008	Other	13.90	41,700.00
	29/08/2008	Other	14.40	43,200.00
	01/09/2008	Other	14.40	43,200.00

(1) George J.M. HERSBACH communicated to the Company and the AMF that the above mentioned transactions were realized on behalf of his company and not in his name.

7.4. Dividends

7.4.1. *Overall dividend*

The Company has not paid any dividends during the last three financial years.

7.4.2. *Future dividend policy*

The payment of dividends will depend mainly on the results achieved by the Company, its financial situation, its investment policy and the reduction of its debt.

7.4.3. *Term for stipulation of dividends*

Dividends not reclaimed lapse to the State five years after their payment date.

7.5. Transactions concerning Company securities

The Mixed AGM of shareholders on 30 May 2008 authorized the Board of Directors, for a term of 18 months, to proceed with the Company's purchase of its own shares, according to the limit of a number of shares purchased representing at most 10% of the total number of shares in the share capital. This proxy ended the previous authorisation resolved by the AGM on 29 June 2007.

This proxy allows the Company to participate in the THEOLIA share market, through a liquidity contract, adhering to market practice allowed by the Financial Markets Regulator (AMF). The Company did not make any other use of the proxy outside the liquidity contract.

On this point, a liquidity contract had been agreed on 28 August 2006 between the Company and Exane BNP Paribas, an investment services provider, in order to increase the security's liquidity and the regularity of its valuation through purchases and sales. This liquidity contract was in conformity with the standard contracts of the French Association of Investment Firms (AFEI) and the AFEI code of practice dated 14 March 2005 approved by AMF on 22 March 2005.

In order to allow Exane BNP Paribas to intervene on the THEOLIA security, the liquidity contract initially set out, in its Article 2, that the Company held 700,000 euros in credit. This amount was increased to 1,300,000 euros by a resolution of the Board of Directors dated 6 February 2008.

The detail of the purchase and sale transactions of THEOLIA shares by Exane BNP Paribas is presented below for the period from 1 January to 31 December 2008:

Transactions:

Purchase:	529,838	(210 transactions)			**Sale:**	475,085	(204 transactions)	
Shares at:	13.520	(Gross)	**Average:**	34,110,957	**Shares at:**	13.631 (Gross)	**Average:**	31,744,325
	13.520	(Net)		34,110,957		13.631 (Net)		31,744,325

Adjustments:

Added: 0 transactions	**Withdrawn:** 0 transactions

Thus, during the financial year 2008, 529,838 shares were purchased at an average unit price of 13.52 euros and 475,085 shares were sold at an average unit price of 13.63 euros.

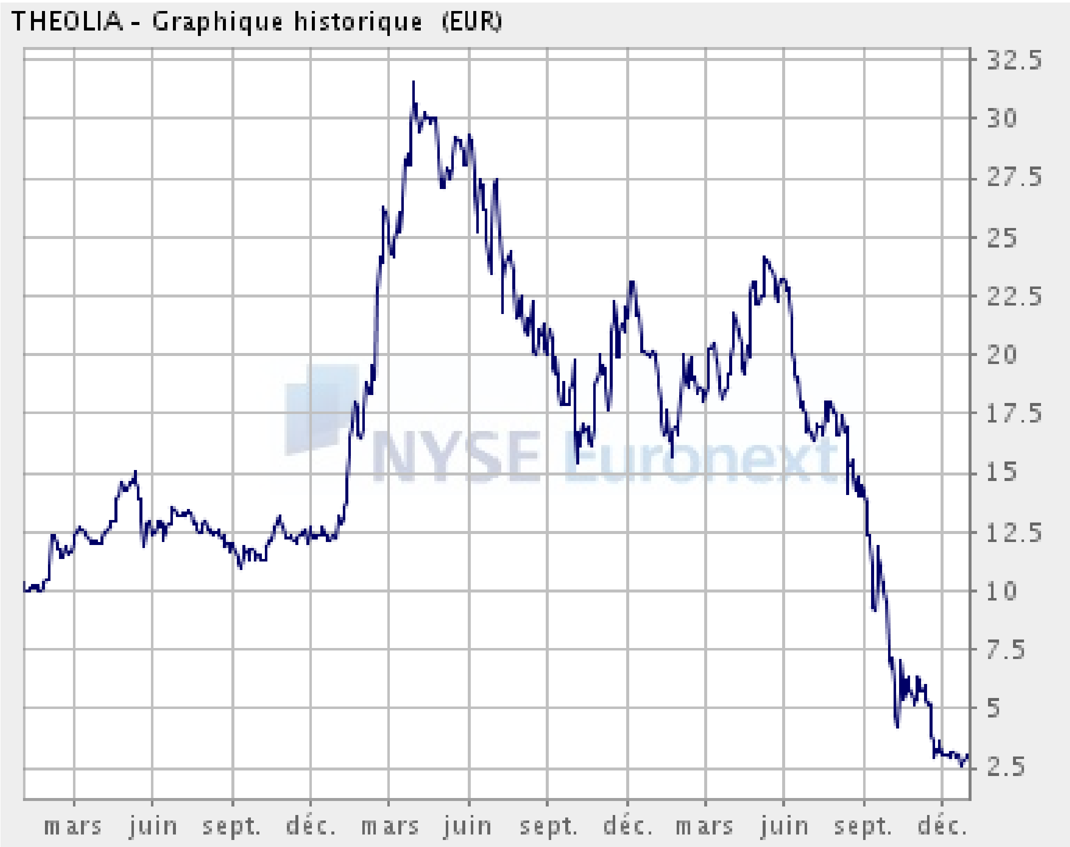
The total trading fees for these transactions were 42,906.50 euros.

On 31 December 2008, the Company held 91,579 own shares, for 1 euro nominal, representing 0.23% of the capital, which at the close of the financial year, at 3.04 euros, represented 278,400 euros.

On 26 January 2009, the liquidity contract granted by THEOLIA to Exane BNP Paribas was terminated. The Company then entrusted the implementation of a new liquidity contract in conformity with the AFEI Code of Practice to Oddo Corporate Finance, transferring to them 95,515 THEOLIA shares and 155,113.36 euros, previously held by Exane BNP Paribas. The contract was agreed for an initial period from 27 January 2009 to 31 December 2009, renewable for subsequent identical 12 month periods.

7.6. Market performance table

Market performance between 1 January 2006 and 31 December 2008 is presented below:



It should be noted that the Company entered Euronext Paris (regulated market) on 31 July 2006. Previously, it had been listed on the OTC market of the Paris Stock Exchange.

7.7. Elements which might have an effect in the event of a public offering

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

As of 31 December 2008, the Company articles of association do not contain any stipulations limiting share transfers. Subject to the stipulations of Article 7 on the denial of voting rights if obligations relative to disclosure declarations (disclosure declaration of 0.5% of capital or of voting rights) are not adhered to, the articles of association do not contain any restrictions on the exercise of voting rights.

7.7.2. Financing agreement entered into by the Company which will be modified or terminated if the Company control structure changes

Some Company loans must be repaid early in the event of a change in Company control of THEOLIA; this is the case in particular, for the OCEANEs issued in October 2007, the principle features of which were presented in paragraph 5.3.4. of this Report.

8. COMPANY AND ENVIRONMENTAL INFORMATION

8.1. Company information

8.1.1. Group workforce

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

The Group had 295 employees as at 31 December 2008.

The trend in Group workforce during the past three years was as follows by geographical area:

	31/12/2008	31/12/2007	31/12/2006
France	187	150	117
Germany	46	49	36
Other countries	62	38	7
TOTAL	295	237	160

Out of these 295 employees, 187 were engaged in wind activities and 108 in non-wind activities.

The departure of the previous Chairman and CEO resulted in four resignations from the holding company, these departures becoming final at the start of 2009.

In addition, a staff reduction plan was set up within the holding company at the end of 2008. It was closed at the start of 2009 upon the departure of 10 employees.

8.1.2. Employee pay

The Group's aim is in every country to offer pay in proportion to the level of skills, training, responsibility and performance of each person and to ensure a lifestyle conforming to local rules in terms of labour law.

In certain positions, pay consists of a variable part, allowing employees' income to be linked to the achievement of objectives.

For 2008, salaries and expenses amount to 20,838 thousand euros on the revenue account as against 18,132 thousand euros for 2007 (restated in accordance with IFRS 5).

THEOLIA seeks to motivate and retain staff as well as to attract new talent. With this in mind, the Group is continuing with its free shares plan for key workers in France and in its subsidiaries abroad. In 2008, free 313,500 shares were attributed to Group employees. The free shares attributed to employees in 2008 will become definitively vested at the end of a period of two years, and must be held for a period of two additional years.

A profit-sharing plan and a salary savings scheme were introduced during the year.

The Company has not set up any other plans.

Employees hold less than 3% of the capital (in accordance with the IAS – Euronext Index).

No stock warrants were issued to employees during 2008 and none were exercised by them.

8.1.3. Human resources policy

The Group adopts a policy of professional equality in its approach to recruitment, career management and staff development, equitably and without discrimination.

In organizing working time in France, the working time applicable to all the French branches complies with the law at 35 hours a week, on the understanding that application differs as follows:

- 39 hour contracts of employment: 35 hours + 4 additional hours a week
- 218-day flat rate contracts with rest days according to the Convention Collective Nationale des Cadres de la Métallurgie (National Collective Agreement for Middle-Management in Metallurgy) of 13 March 1972, as amended.

Certain senior staff work under a flexi-time flat-rate contract.

Recurrent absenteeism is very low, which demonstrates the strong involvement of the workforce. Overtime is worked only within the framework of 39 hours a week contracts.

With recruitment, the search for fresh talent has not come up against any major difficulties. Jobs are advertised on the THEOLIA Group and/or branch website or by external advertising. Applications are ranked and referenced in a CV database. Active sourcing allows profiles to be identified even before jobs are advertised.

Group Companies in France use sub-contracting, especially by resort to framework contracts for prospecting and survey assistance. Sub-contracting is more common in Germany in line with local usage.

For training, all companies have adopted the legal package for ongoing training. Such training is aimed at areas of technology and management.

With regard to trade relations in France, social dialogue is open and active. The Group encourages direct dialogue with its employees.

8.2. Environmental information

In accordance with article L 225-102-1 of the Commercial Code, THEOLIA is required to include in this Report information on the way in which it deals with the environmental consequences of its business.

Account is taken of the environmental consequences while strictly observing all the requirements of the law and regulations applicable to the issue of building permits for each projected wind farm.

Care taken with location in the countryside, systematic attention given to the natural and human environment, sorting and reuse of waste during the period on site, pollution risk prevention and reconciliation of sub-contractors' activities, and the measurement and monitoring of environmental impact (conformity of sound levels, for example) are systematic for every wind project within each Group subsidiary.

Furthermore, action is taken to protect the environment whenever a wind project is mounted, such as monitoring of bird life, protection for areas of nature close to the construction sites, reinstatement of the natural status, an ecology management plan within the regional parks, etc. Finally, THEOLIA, when starting up each wind project, makes plans for both technical and financial resources for reinstating the area on completion of the works in line with applicable law.

The THEOLIA Group is a major actor in sustainable development.

Through its activities first of all, since the production of electricity from wind sources is essentially a means of ensuring environmental protection as part of sustainable development. In 2008, the Group produced approx. 1,215 GWh of "green" electricity from wind energy, which prevented the emissions of some 538,200 tons of CO2 and represented electricity consumption for approx. 485,960 homes (excluding heating)[2].

Finally, through its standards, since in developing its business, THEOLIA observes a framework of standards shared by all its employees. The Group's approach complies with the codes of conduct based on ethical principles which were fundamental to the setting up of THEOLIA.

[2] According to Ademe, a home consumes approx. 2,500 kWh p.a. while production of 1 kWh allows the emission of 443g CO_2 to be avoided.

Appendix 1 : Rules of Procedure for the Board of Directors

(in accordance with the Board decision of 18 December 2008)

PREAMBLE

Members of the THEOLIA Board of Directors have decided to adopt the following operating rules that form the Rules of Procedure for the Board of Directors. These regulations come under the recommendations designed to ensure compliance with the founding principles of corporate governance. These Rules are purely internal and are intended to supplement the articles of incorporation by laying down the main basis for the organization and operation of the Board of Directors. They cannot be invoked by shareholders or third parties against the Company's directors.

ARTICLE 1 ***Meetings***

The Board of Directors meets at least four times a year.

The Secretary to the Board is appointed by the Chairman.

Convening notices, that may be dispatched by the -General Secretary, may be communicated by letter, telex, telegram, fax, email or verbally.

An attendance book will be kept at the head office, which must be signed by members of the Board attending the meeting, in their own name or on behalf of other members of the Board whom they represent. Proxies issued in the form of letters that may be faxed, telexed or sent by telegram or email if means are established for legalizing the electronic signature will be appended to the attendance book.

ARTICLE 2 ***Attendance at meetings of the Board of Directors by email or video-conferencing***

Prior to each meeting of the Board of Directors, the Chairman of the Board may, at the request of one or more directors, decide to authorize them to attend the meeting by telecommunication or video-conferencing.

The Chairman will ensure that telecommunication and video-conferencing facilities that continuously transmit discussions will be placed at directors' disposal in order to permit them to participate in board meetings.

Directors participating in a meeting by telecommunication or video-conferencing will be considered to have attended the meeting for quorum and majority purposes.

The characteristics of the means of telecommunication or video-conferencing used must comply with the technical characteristics allowing transmission of images or at least of the voices of participants simultaneously and continuously in order to ensure identification of directors and guarantee effective participation at the board meeting.

The directors concerned cannot otherwise be considered as attending and in the absence of a quorum, the board meeting must be deferred.

Attendance by telecommunication or video-conferencing is not permitted in the cases expressly laid down by law; at the issue date of the present rules of procedure, this exclusion concerned board meetings called to confirm the annual accounts and related reports.

Should the Chairman of the Board decide that the telecommunication or video-conferencing system is malfunctioning, the Board may validly deliberate and/or continue discussion with the members physically present alone, provided that the conditions for quorum are met.

The occurrence of any technical event affecting functioning will be mentioned in the minutes, including interruption and re-establishing of participation by telecommunication or video-conferencing.

ARTICLE 3 ***Minutes***

The Secretary to the Board of Directors and the General Secretary- of the company are authorized to certify copies of or excerpts from the minutes of meetings.

ARTICLE 4 ***Exercise by the CEO of his powers***

The powers of the CEO are limited on the basis set out in the table appended below.

ARTICLE 5 ***Director's charter***

The Board of Directors collectively represents all shareholders and it will discharge its duties in the company's interests.

Directors are elected by the General Meeting of Shareholders on the basis of their skills and the contribution that they may make to the conduct of the company's business. The present charter has been drawn up in order to enable these skills to be fully exploited and to ensure full effectiveness of the contribution of each director while observing the rules regarding the independence, ethics and integrity required of them.

In accordance with the principles of sound governance, a director will discharge his duties in good faith in whatever way he considers the best in promoting the Company and with the care expected of a normally prudent person in the discharge of such duties.

Each THEOLIA director and each permanent representative of a directing corporate body will observe the charter as a result of accepting office. A director who can no longer comply with the charter must face this conclusion and place his mandate at the disposal of the Board or resign from office as representative of a directing corporate body.

ARTICLE 5-1 ***Competence***

Before accepting his position, a director will examine the legal documents and rules connected with his office and the particular requirements for the Company resulting in particular from its articles of incorporation and the terms of the present Rules of Procedure.

ARTICLE 5-2 ***Defending the company's interests***

A director must be a shareholder and hold a number of shares at least equal to that laid down in the company's Articles. He will undertake to keep them for his period of office. On failing to hold them when taking up office, he will be given three months in order to comply with this requirement.

A director represents all shareholders and must act in all cases in the company's corporate interests. A director undertakes to ensure that the company's decisions do not favor one party or category of shareholders to the detriment of any other.

ARTICLE 5-3 ***Prevention of conflicts of interest***

Conflict of interest means, in particular, a situation where a director is personally concerned (directly or through corporate bodies in which he pursues a director's duties or has an interest, or that he represents) when voting for a decision of the Board.

Any director or any candidate for appointment to a position as member of the Board of Directors must fully and immediately inform the Board of any conflict of interest, actual or potential, whereby he may directly or indirectly be affected, in order in particular to decide whether the director concerned should abstain from debate and/or a vote on decisions.

With a view to preventing possible conflicts of interest, a director who is elected by the General Meeting of Shareholders for his competence, his contribution towards the conduct of business and the Company's development and who is remunerated in this respect, will consequently undertake not to obtain any other kind of remuneration, in any form whatsoever (such as fees, invoiced payments, expenses, etc.) directly or indirectly (through corporate bodies in which he holds director's office or has an interest or that he represents), especially under contracts as business-getter, for contacting investors, or any other financial, technical or legal-administrative services.

It is declared that for the purposes of this article, this instrument will not affect remuneration paid under a contract of employment or company mandate and related expenses connected with remuneration.

ARTICLE 5-4 ***Independence***

A director undertakes in all circumstances to maintain his independence of analysis, judgement, decision-making and action and will reject any direct or indirect pressure that may be exercised on him and that may be applied by directors, particular groups of shareholders, creditors, suppliers or any third party generally.

A director undertakes not to seek or accept benefits from the Company or companies linked to it, directly or indirectly, that may be considered as being of a kind as to compromise his independence.

In this connection, a director is aware that his office is incompatible with an evident, ongoing or quasi-ongoing situation of conflict of interest as defined in article 5.3.

In this regard, the Board of Directors will recommend to a director that it feels has an ongoing permanent or quasi-permanent conflict of interests that he resigns from office.

Whatever the circumstances, the Board of Directors will ensure that any candidate for appointment to office as member of the Board is not likely to enter into evident ongoing or quasi-ongoing conflicts of interest.

ARTICLE 5-5 ***Effectiveness of the Board***

A director is fully aware that it is up to the Board to decide on duties and values for the Company, lay down its strategic objectives, ensure that systems and procedures intended to achieve the objectives are set up, monitor the auditing of the company and provide information and explanations for shareholders.

Resolutions of the Board will be the subject of formal voting with particular reference to approval of the accounts, the budget and resolutions to be submitted to the General Meeting, and important matters concerning the activities of the company. Whether the nature of such matters is important will be decided by the Chairman on his own responsibility.

A director will show concern in laying down and exercising the powers and responsibilities of the various governing bodies of the company.

In particular, he will ensure that no person can exercise uncontrolled discretionary powers within the company; he will ensure the effective operation of the special committees set up by the Board and that the internal audit bodies function efficiently and that the Auditors discharge their duties satisfactorily.

The Board will evaluate its own operating at regular intervals, not exceeding two years; the evaluation will be made by an independent director.

ARTICLE 5-6 ***Dedication***

A director will devote the necessary time and attention to his duties. A director who may decide to accept a mandate in addition to those that he holds (except for director's mandates exercised in unlisted controlled companies) will notify the Chairman of the Nomination and Remuneration Committee, with whom he will consider whether this new office leaves him sufficient availability for THEOLIA.

The annual report will indicate the mandates undertaken, abandoned or accepted by a director during the year and will take account of his dedication in attending meetings of the Board and committees of which he is a member. A director will ensure that he attends General Meetings of Shareholders.

ARTICLE 5-7 ***Information, confidentiality***

A director will ensure that he receives sufficient information in good time to enable the Board to deliberate effectively. He is required to obtain the details from the Chairman that he considers indispensable for his information within an appropriate time frame.

Information concerning the Group provided to a director as part of his duties is given to him on a personal basis. He must protect its confidentiality personally and may not divulge it in any event. This personal obligation is also imposed on representatives of a directing corporate body.

ARTICLE 5-8 ***Privileged information***

Directors undertake not to purchase or sell the Company's securities for as long as they hold office within the group.

However, directors may undertake purchase or sale operations decided by an approved financial intermediary acting independently under a portfolio management contract providing for non-intervention by the director.

Whatever the circumstances, directors undertake to discharge the formalities with declarations to the Financial Markets Authority, whether the buy or sell operations for the Company's securities have been carried out by them directly or via a financial intermediary.

ARTICLE 6 ***Audit Committee***

ARTICLE 6-1

An Audit Committee is formed in accordance with article 14.4 of the articles of incorporation.

The Audit Committee assists the Board of Directors in monitoring the accuracy and fairness of the company and consolidated financial statements of THEOLIA and the quality of internal auditing and information provided to shareholders and the markets. The Committee submits any opinions and recommendations to the Board of Directors in the areas described below. In particular, the Committee will be instructed by the Board of Directors:

1. With regard to the financial statements:

   a) to undertake any prior examination and give its opinion on the draft financial statements and the half-yearly and, where applicable, quarterly accounts before they are submitted to the Board of Directors;

   b) to examine the relevance and continued application of the accounting principles and rules used in drawing up the accounts and to warn of any disregard of these rules;

   c) to be advised of the trend in the area of consolidation for consolidated companies and, where applicable, receive all necessary explanations;

   d) when it deems it necessary, to consult the Auditors, the general management, the financial directorate, the internal auditors or any other member of management; these consultations may, where applicable, be made without members of the general management being present;

   e) to examine, before publication, the draft annual and intermediate financial statements, the activity report and the profit and loss statement and any accounts (including forward-looking) drawn up for the needs of specific significant operations, and important financial press releases before they are published;

   f) to monitor the quality of procedures permitting observance of the stock exchange rules.

2. With regard to external auditing of the Company:

a) to examine matters regarding the appointment, renewal or dismissal of Statutory Auditors and the amount of fees to be decided for the discharge of auditing duties required by law;

b) to supervise the rules for recourse to the Statutory Auditors for work other than auditing the accounts and, more generally, to ensure that the principles guaranteeing the independence of Statutory Auditors are respected;

c) to pre-approve any task entrusted to the Auditors beyond the audit;

d) to examine the amounts of the audit fees paid by the Company and its Group each year to the network entities to which the Auditors belong, their action plans, their conclusions and their recommendations, and the follow-up to be undertaken; to arbitrate where necessary in matters of disagreement between the Auditors and the general management likely to arise in the course of this work.

3. With regard to the internal auditing of the Company:

a) to assess the effectiveness and quality of the Group's internal auditing system and procedures;

b) with the heads of internal auditing, to examine the work and action plans in the area of internal auditing, the conclusions from such work and the action, recommendations and follow-up to be undertaken, without members of the general management being present where applicable;

c) to be informed by the general management or by any other means, of all complaints by third parties or any internal information containing criticisms of the accounting documents or the Company's internal auditing procedures and the procedures adopted for this purpose and remedies for such complaints or criticisms;

d) to put forward any task that it considers necessary for internal audit.

4. With regard to risks:

a) to examine the financial position, cash flow and significant commitments and risks of the Group regularly;

b) to examine the procedures adopted to evaluate and manage these risks.

ARTICLE 6-2

To discharge its duties, the Committee may ask the Chairman to undertake any interview and to provide it with any information.

Members of the Committee and any external person who may attend a meeting are required to observe confidentiality to any third party to the Board of Directors with regard to all information advised to the Audit Committee or to which they may have access in connection with their duties.

ARTICLE 6-3

The Committee consists of at least three members and a maximum of five members, appointed by the Board of Directors from its independent members.

The term of office of members of the Committee coincides with that of their mandate as Director. It may be renewed at the same time as the latter.

The Committee will appoint its Chairman.

ARTICLE 6-4

The Committee will meet at least twice a year; it will decide the timetable for its meetings. However, the Committee may meet at the request of its Chairman, two of its members or the Chairman of the Board.

To deliberate validly, at least half of the members of the Committee must be present. A Committee member cannot be represented.

The following will attend Committee meetings:

- ✓ the Chairman of the Board or a person appointed for this purpose for these two persons together unless the Committee decides otherwise;
- ✓ any person whom the Committee wishes to consult.

The Committee will interview the Statutory Auditors at least once a year under such conditions as it will decide. If it considers it necessary for the discharge of its tasks, the Committee will ask the Board for resources to obtain external assistance.

ARTICLE 6-5

Minutes will be kept of Committee meetings. These minutes will be circulated to Audit Committee members and, on request, to other members of the Board. The Chairman of the Board or a member of the Committee appointed for that purpose will report to the Board on the Committee's work.

ARTICLE 7 ***Nomination and Remuneration Committee***

ARTICLE 7-1

ANomination and Remuneration Committee will be formed in accordance with article 14.4 of the articles of incorporation.

1. The Nomination and Remuneration Committee will be instructed by the Board of Directors:

   a) with regard to nominations :

      - ✓ to examine any application for appointment to a position as member of the Board of Directors and to give an opinion on these applications and/or a recommendation for the Board, especially having regard to the suitability of such applications as independent directors and to the desirable number of independent directors on the Company's board; and
      - ✓ to prepare recommendations for a successor as Chairman of the Board in good time;

   b) with regard to remuneration:

- ✓ to make recommendations to the Board of Directors regarding remuneration, the pensions and coverage schemes, the benefits in kind and the various financial rights, including, where applicable, the attribution of stock warrants and the free shares issued to the CEO, the Deputy CEOs and any salaried members of the Board; and
- ✓ to make recommendations concerning the remuneration of members of the Board;

2. It may be consulted on appointments of executive directors of the Company and on the basis of their remuneration.

ARTICLE 7-2

The Committee will consist of at least three members and a maximum of five members appointed by the Board of Directors from amongst its members. The Chairman of the Board of Directors will attend meetings of the Committee unless the latter decides otherwise.

The term of office of Committee members coincides with that of their mandate as director. It may be renewed at the same time as the latter.

The Committee will appoint its Chairman.

ARTICLE 7-3

The Committee will meet at least twice a year, including once prior to approval of the agenda for the Annual General Meeting, to examine the draft resolutions that will be submitted to it and which concern the positions of members of the Board of Directors and, where applicable, of auditors.

It will meet as often as necessary when convened by the Chairman of the Board or the Chairman of the Committee or half of its members.

To deliberate effectively, at least half of its members must be present. A member of the Committee may not be represented.

ARTICLE 7-4

Minutes of Committee meetings will be kept. They will be circulated to members of the Committee and to other members of the Board of Directors. The Chairman of the Committee or a Committee member appointed for this purpose will report to the Board on the opinions and recommendations of the Committee to allow it to deliberate.

ARTICLE 8 *Remuneration*

The annual remuneration set by the General Meeting in accordance with article 19 of the articles of association will be distributed by the Board of Directors amongst its members after a special part has been allocated for the Chairmen and members of the various Committees.

APPENDIX 2: TABLE OF STATUTORY AUDITORS' FEES

(in euros excluding tax)	**JEAN JOUVE**	**%**	**DELOITTE & ASSOCIES**	**%**
Audit				
Statutory Auditors, certification, examination of individual and consolidated accounts				
Issuer	€224,250	34.59%	€584,290	62.48%
Subsidiaries globally integrated	€384,125	59.24%	€328,830	35.16%
Ancillary tasks	€40,000		€22,000	
Issuer	€40,000	6.17%	€22,000	2.35%
Subsidiaries globally integrated		0.00%		0.00%
Sub-total	**€648,375**	**100.00%**	**€935,120**	**100.00%**
Other services				
Accountancy, financial and organizational consultancy				
Legal, tax, social			€11,256	
Information technology				
Internal audit				
Other	€25,000			
Sub-total	**€25,000**	**0.00%**	**€11,256**	**0.00%**
TOTAL	**€673,375**		**€946,376**	

APPENDIX 3: TABLE OF DELEGATED DUTIES IN FORCE AS DECIDED BY THE GENERAL MEETING ON 30 MAY 2008

	Delegated duty type	Purpose	Duration	Expiry date	Ceiling	Use	Unused balance	Global ceiling
10th	Delegation of competence	Authorization for operations on the company's shares	18 months	30 November 2009	10% of share capital at any time	Yes	88,239 shares	
12th	Delegation of competence	Issue of shares, bonds or transferable securities maintaining a rights issue	26 months	30 July 2010		No	15 million shares	
13th	Delegation of competence	Issue of shares, bonds or transferable securities without rights issue	26 months	30 July 2010		No		
14th	Delegation of authority	Issue of shares, bonds or transferable securities with freely fixed issue price	26 months	30 July 2010		No	10% of share capital	
15th	Delegation of authority	Issue of shares, bonds or transferable securities following capital increase while maintaining or withholding a rights issue by virtue of resolutions 12, 13 and 14	26 months	30 July 2010	15% of initial issue on same conditions	No	15% of initial issue on same conditions	40 million
16th	Delegation of competence	Capital increase by incorporating reserves, profits or premiums	26 months	30 July 2010		No	15 million shares	
17th	Delegation of competence	Issue of shares, bonds or transferable securities following public offer initiated by the company	26 months	30 July 2010		No		
18th	Delegation of authority	Issue of shares, bonds or transferable securities to remunerate contributions in kind made to the company	26 months	30 July 2010	10% of share capital at issue date	No		
19th	Delegation of authority	Authorization granted for reducing share capital by cancelling shares	18 months	30 November 2009	10% of share capital at issue date	No	10% of share capital at issue date	
20th	Delegation of authority	Authorisation granted to Board for free share issue	26 months	30 July 2010	10% of share capital at general meeting date	No	10% of share capital at general meeting date	
21st	Delegation of authority	Authorisation to issue subscription options and/or share purchase options in favour of members of staff and/or officers of group companies	38 months	30 July 2011	10% of share capital general meeting date	No	10% of share capital at general meeting date	

ANNEXE 4: MANAGEMENT EXPERTISE

Eric Peugeot, Chairman (FR)

Mr. Peugeot has held several key marketing management positions for the PSA Group within France and internationally. Responsible for merchandising in Europe for Automobiles Peugeot from 1990 - 1995 and director of sponsoring and partnerships from 1995 to 2000. Mr Peugeot holds a degree in marketing.

Louis Ferran, Vice-Chairman of the Board of Directors, Chairman of the Nomination and Remuneration committee (CH/FR)

Since 2004, he is manager and investor in an important real estate project in Switzerland.
He brings to THEOLIA his international general management experience acquired during his career with top firms such as: Merck Sharp & Dohme, L'Oréal, Philip Morris and Timberland. As independent entrepreneur, he reinforced his corporate experience with his involvement in private equity, coporate governance and mergers and acquisitions.
With an MBA from INSEAD (71) and a law degree from Université Paris ASSAS, Louis Ferran taught marketing at the Université Paris IX Dauphine (72-78) and gave frequent conferences (as lecturer) at Suffolk University-Boston, USA (93-94). From 2005 to 2007 he was also visiting professor at the International School of Hotel and Hospitality Management (Laureate Group) Bluche - Switzerland where he taught globalization in an MBA program.

Stéphane Garino, Director (MC)

Having worked over a seven year period in audit and advisory management for international business groups, Mr Garino founded a management consultancy, focusing on information systems, risk management and business processes. He subsequently became partner of a Big 4 consultancy, responsible for special audit, corporate and finance missions.

George J.M. Hersbach, Director (NL)

George Hersbach, founder and Chairman of Heartstream Group. Heartstream specialises in the financing of innovation companies. Mr.S Hersbach was previously Chairman of Pharming Group. He holds a Master of Science in chemical technology from the University of technology of Delft (the Netherlands) and an engineering diploma from FEANI in Paris.

Norbert Van Leuffel (SOFINAN SPRL) (B)

Mr. Van Leuffel started his carreer with KPMG-Auditors and held a management position.
Afterwards he successively joined the international groups:
- General Biscuits/Lu-Brun as International Internal Audit Manager, and
- Transmarcom as worldwide Director of Finance and Administration.

In 1991, he became an independent Consultant/Manager and realized several turn-arounds of medium to large size companies. He holds degrees in Accounting and Related Sciences and in Management Consultancy.
In 2006 Mr Van Leuffel (Sofinan Sprl) was nominated Director and President of the Audit Committee of Theoila Benelux SA and member of the Audit Committee of Theolia SA.