

**THEOLIA GROUP**

**2007 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS  
AND CONSOLIDATED FINANCIAL STATEMENTS**



## 2007 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

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## 1. Key events and 2007 activity

### 1.1. Key events

#### 1.1.1. External growth

##### 1.1.1.1. Partnership with General Electric

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

On 2 July 2007, THEOLIA acquired GE Energy Financial Services' European wind farms of a total installed capacity of 165 megawatts. GE Energy Financial Services received 5,250,000 new shares in return for its assets.

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

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

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

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

##### 1.1.1.2. Acquisition of the Maestrle Green Energy company

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

The portfolio of Maestrle Green Energy is based on 14 projects. Out of these projects, 5 are in the final stage of obtaining the permits and agreements.

The 9 other projects are still in the initial stages of development.

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

##### 1.1.1.3. Stake in Eco2lutions

Through its subsidiary Theolia Emerging Markets (TEM), the Group has taken a stake of 35.21% in the capital of the German company Eco2lutions, specialised in the trading of carbon credits.

Eco2lutions invests in renewable energy projects in India and China and CDM projects enabling the generation of carbon credits or emission reduction certificates. This company trades in these tools on behalf of the companies in which it has invested.

##### 1.1.1.4. Acquisitions made by Natenco GmbH

As part of its activities of sale and purchase of wind farms, the Natenco GmbH company has acquired some farms which, due to their special configuration (power, profitability, geographic complementarity) will be kept and not resold.

The installed power acquired by this means amounted to 20.5 MW for the year 2007, notably located in Brandenburg and Rheinland Pfalz.

### 1.1.2. Organic growth

#### 1.1.2.1. Commissioning of wind farms in France

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

Sablons wind farm, 10 MW farm, commissioned on 25 May 2007

Moulin de Froidure wind farm, 12 MW farm, commissioned on 5 December 2007

Les Plos wind farm, 11.5 MW farm, commissioned on 18 December 2007

The total investment amounted to € 44.4 million.

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

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

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

#### 1.1.2.2. Creation of subsidiaries

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

##### Creation of Theolia Grèce

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

##### Creation of Theolia Emerging Markets (TEM)

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

##### Creation of Theolia CEE

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

##### Creation of Theolia Pologne

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

#### Creation of Theolia Hongrie

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

#### Creation of Theolia Maroc

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

### 1.1.3. Financing

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

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

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

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

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

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

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

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

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

The terms and conditions of the bonds are as follows:

- ↳ the duration of the loan is 6 years 61 days (from 31 October to 1<sup>st</sup> January 2014).

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

Redemption is possible only by decision of the issuer:

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

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

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

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

#### 1.1.4. Other key events

##### 1.1.4.1. Listing of Thenergo on Alternext

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

On 14 June 2007, Thenergo was listed on the Alternext market of Euronext Paris. This listing was followed by a reserved capital increase in the sum of € 65M realised on 18 June 2007.

Following these operations, THEOLIA's stake was reduced from 91.01% to 35.20%. Within the framework of new external growth operations, Thenergo was led to admit new shareholders.

As at 31 December 2007, THEOLIA's stake in the capital of Thenergo was 29.19%.

##### 1.1.4.2. Admission of THEOLIA to the SBF 120

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



## 1.2. Results of the activities of the Group

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

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

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

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

### 1.2.1. Analysis of growth

#### 1.2.1.1. Analysis at Group level

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

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

The margin increased significantly between 2006 and 2007, from € 22,002K to € 75,697K.

The gross margin, before marketing costs, fell from 31% to 24.7%. This fall was linked to a very strong evolution in the composition of the sales and the change to the relative proportions of activities at very different gross margins.

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

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

#### 1.2.1.2. Analysis by activity

##### ✈ Construction and sale of wind farms

The "Construction and sale of wind farms" activity generated sales of € 218,422K, compared with € 53,059K at 31 December 2006 (18 months), which is an increase of 311%.

Sales are distributed between:

Germany.....	€ 200,606 K
France .....	€ 17,816 K

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

##### Germany

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

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

##### France

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

These 3 wind farms began producing electricity in November and December 2007.

The gross margin after marketing costs incurred by this activity of sale of wind farms averaged 12.35% over the 2007 financial year.

The very sharp increase in sales of this activity, associated with the establishment of new marketing procedures defined by THEOLIA when it took a stake in Natenco, makes any comparison with the margin levels recorded in previous years unworkable.

✚ Sale of electricity generated by wind power

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

The sales of electricity produced from wind energy amounted to € 53,912K, compared with € 3,273K at 31 December 2006 (18 months).

It should be noted that this value of € 53,912K integrates, on the one hand, the sale of electricity generated on behalf of third parties within the management contract operated by Natenco at the level of € 27,028K, and on the other hand, the sale of electricity produced by wholly owned wind farms at the level of € 26,884K.

This sharp increase is due to the combination of the following factors:

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

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

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

✚ Non-wind activities

Non-wind activities generated sales of € 34,234K, compared with € 14,974K at 31 December 2006 (18 months). This variation can be principally explained by the sale of a photovoltaic park in Germany by Natenco for a sum of € 14,400K. This solar park, the first sold by the Group, had an installed power of 3MW.

The non-wind activity is also benefiting from the growth of the activity of SERES Environnement, acquired in 2006 and thus consolidated for the first time over the entire 2007 financial year. The sales realised by SERES Environnement, specialised in the manufacture and marketing of water and air quality measurement instruments, amounted to € 6,082K. The year 2007 also saw the commissioning of the waste treatment plant in Beaucaire, which realised sales of € 3,618K.

Lastly, the listing of Thenergo on Alternext, and the resulting reduction in THEOLIA's stake, changed the method of consolidation of Thenergo from 14 June 2007.

This Belgian Group is in fact now consolidated by the equity method, which has a direct negative impact on the consolidated sales of € 2,676K. The 2006 sales (18 months) amounted to € 4,648K, compared with € 7,324K for the first 6 months of 2007.

## 1.2.2. Analysis of profitability

### 1.2.2.1. Analysis at Group level

#### EBITDA

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

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

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

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

The 2007 EBITDA has markedly improved in relation to 2006, increasing from € 386K to € 26,928K, which is 70 times higher. The EBITDA level over the 2007 financial year is furthermore 26% greater than the EBITDA level for the 2006 financial year on a pro forma basis.

The 2007 pro forma EBITDA level (taking account of the acquisition of wind farms of the General Electric Group, as if it had been realised on 1<sup>st</sup> January 2007) amounted to € 41,042K.

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

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

#### Operating income before goodwill impairment

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

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

#### Operating income after goodwill impairment

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

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

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

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

#### Net income from the consolidated Group

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

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

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

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

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

#### Net income minority holding share

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

#### Net income Group share

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

#### 1.2.2.2. Analysis by activity

The table below presents the EBITDA by activity.

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

#### Construction and sale of wind farms

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

#### Sale of electricity generated by wind power

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

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

#### Non-wind activities

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

### 1.2.3. Analysis of the financial structure

#### 1.2.3.1. Equity capital

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

#### 1.2.3.2. Net financial debt

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

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

#### 1.2.3.3. Cash and cash equivalents

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

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

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

### Cash originating from the activity

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

This gross cashflow was negative upon closure of the previous financial year.

It can be noted that the change in operating WCR is particularly low, limited to € 1,795K. This is mainly due to the fact that the increase in Natenco's activity was financed through an extension of supplier deadlines.

The cashflow originating from operating activities was equal to € 28,885K at 31 December 2007, where it was negative at € - 4,298K at 31 December 2006.

### Net cashflow used by investing activities

The net cashflow used by investing activities amounted to € 134,658K, compared with € 117,862K at 31 December 2006.

The cashflow for the 2007 financial year mainly comprised investments in the construction of wind farms for € 50,906K.

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

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

### Net cashflow generated by investing activities

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

The three principal sources of finance over the 2007 financial year were:

Cash capital increases .....	€ 96,176K
Subscription to the bond issue .....	€ 235,313K
Contracting loans .....	€ 71,769K

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

## **2. Events after closure and prospects**

### **2.1. Events after closure**

On 4 January 2008, THEOLIA finalised the acquisition of the *Compagnie Éolienne de Détroit*, which was majority held by EDF International. This acquisition relates to 100% of rights and the amount of the transaction is € 45,241K. This acquisition was made in cash and the resulting goodwill is estimated at this stage in the sum of € 15,700K.

Based in Tétouan, CED owns the wind farm installed in the Kingdom of Morocco. It comprises 84 wind turbines for a total installed power of 50.4 MW and produces around 190 MW/h per year. A team of 10 people has been managing this farm since it was commissioned in 2000.

### **2.2. Prospects**

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



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

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

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

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

### **3. Research and development**

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

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

They correspond to:

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

These costs concern projects which are highly individual and which have real chances of technical and commercial success.

It should be noted that one of these projects benefits from reimbursable advances in the sum of € 120K granted by Oseo Innovation.

## **4. Risk factors**

### **4.1. Risks linked to the company**

#### **4.1.1. Risks linked to its activity**

##### **4.1.1.1 Risks linked to the profitability of the wind farms**

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

No guarantee may be given by the Company with regard to the reliability of the installations, the solvency of the manufacturers, the increase in maintenance costs or interest rates, the temporary or definitive cessation of operation of the wind farms, or any event that may result in a reduction in the income generated by the farm.



The onset of such an event would thus have consequences on THEOLIA's capacity to meet the due dates of one or more financing plans for the wind farms and could have a significant negative effect on the activity, the financial situation or the results of the Company or on its ability to meet its objectives.

#### 4.1.1.2 Risks linked to obtaining construction permits

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

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

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

\* Construction permit under appeal following an initial refusal.

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

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

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

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

#### 4.1.1.3 Risks linked to suppliers

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

There are three principal supplier risks:

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

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

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

#### 4.1.1.4 Risks linked to dependence on clients

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

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

#### 4.1.1.5 Risks linked to competition from other renewable energy electricity producers

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

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

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

#### **4.1.1.6 Risks linked to climate conditions**

A large part of the Group's activity relates to wind energy. The production of this type of energy depends on climate conditions.

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

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

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

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

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

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

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

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

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

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

### **4.1.2. Risks linked to the development of the Company**

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

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

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

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

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

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

#### 4.1.2.2 Risks linked to dependence on directors and key employees

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

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

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

#### 4.1.2.3 Risks linked to partnerships

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

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

#### 4.1.2.4 Risk linked to the shareholding body

At the Mixed General Meeting of 29 June 2007, a reference shareholder was admitted to the company. As at 31 December 2007, GE France SNC, company of the General Electric Group, held 16.88% of the capital in the company.

No shareholders' agreement has been signed, but a change to the Rules of Procedure of the Board of Directors was made at the meeting of the Board of Directors of 2 July 2007; a new article was added granting them a right of veto over a certain number of decisions (cf. 9.3 Rules of Procedure of the Board of Directors – Article 5).

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

## **4.2. Market risks**

### **4.2.1. Risks linked to obtaining financing**

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

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

### **4.2.2. Liquidity risks linked to finance**

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

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

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

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

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

- ✚ default in payment of the sums due by way of the loan;
- ✚ breach of a financing document, and in particular the *pari passu* and inter-creditor subordination clauses, the restrictions relative to the distribution of dividends by the project level companies, intra-group restructuring and the cession of assets, the reduction in sureties or invalidation of the authorisations necessary to the operation, etc;
- ✚ the onset of a banking incident declared to the Banque de France;
- ✚ the implementation of an enforcement process by a creditor, such as a seizure of assets of the project level company;
- ✚ failure to execute a legal decision;
- ✚ bankruptcy, dissolution, provisional administration or liquidation of the project level company;
- ✚ a change in legislation rendering the continuation of the project illegal;
- ✚ nationalisation of the project;
- ✚ expropriation of the project level company;
- ✚ abandonment or suspension of the project;
- ✚ non-conclusion of a purchase contract with EDF within a reasonable timescale;

- ✚ overrun of the construction budget not covered by the partners of the project level company;
- ✚ onset of a significant negative event;
- ✚ inaccuracy of the information transmitted to the banker in advance;
- ✚ destruction of the principal assets of the project;
- ✚ non-respect for the financial debt ratios, which must be between 90/10 and 70/30;
- ✚ non-respect of the debt service coverage ratio (DSCR ratios), which generally have to be between 1.05 and 1.20.

The two abovementioned ratios are defined as follows:

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

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

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

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

#### 4.2.3. Interest rate risks

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

The onset of such an event could have a significant negative effect on its activity, its financial situation, its results, or its ability to meet its objectives.

#### 4.2.4. Risks linked to financing via OCEANE bonds

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

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

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

The OCEANE bonds present a risk of non-conversion and a risk of early redemption for the Company.

The risk of non-conversion lies in a negative evolution of the stock market price (below the redemption price at the date of maturity of the OCEANE bonds) which would limit the number of conversions of OCEANE bonds into THEOLIA shares, mechanically increasing the amount to be repaid by THEOLIA.

The risk of early redemption is linked to the fact that any bondholder can demand reimbursement of all or some of their Bonds if they so desire

- ✚ on 1<sup>st</sup> January 2012 at the Early Redemption Price increased by interest;

- ✚ at any time in the event of change in control of the Company;

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

#### 4.2.5. Risks linked to the exchange rate

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

#### 4.2.6. Risks linked to potential dilution for shareholders

At 31 December 2007, a number of

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

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

### **4.3. Legal risks**

#### 4.3.1. Risks linked to exceptional events and outstanding disputes

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

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

#### 4.3.2. Risks linked to intellectual and industrial property rights

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

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



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

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

#### **4.3.3. Risks linked to the legislation and its evolution**

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

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

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

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

#### **4.4. Insurance and risk cover**

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

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

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

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

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



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

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

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

## 5. Social and environmental information

### 5.1. Social information

#### 5.1.1. Workforce of the Group

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

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

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

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

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

#### 5.1.2. Compensation of employees

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

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

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

A Company Savings Plan was established within the Ventura subsidiary in the last quarter of 2007. The amounts were not known at the time this document was produced.

The principle of the employer's top-up contribution is as follows:

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

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

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

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

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

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

#### 5.1.3. [Human resources policy](#)

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

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

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

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

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

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

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

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

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

## **5.2. Environmental information**

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

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

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

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

### **Sustainable development**

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

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

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

THEOLIA's activity, green energy production, is in essence a means of assuring the protection of the environment for sustainable development. In the 2007 financial year, the Group produced more than 835 MW/h of "green" electricity from wind energy, which corresponds to a saving of 491,490 tonnes of CO<sub>2</sub>, which equates to the annual CO<sub>2</sub> emissions of 208,940 households.

## 6. Corporate governance

### 6.1. Composition of the Board of Directors

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

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

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

\* independent directors

## 6.2. Remunerations of company representatives

### 6.2.1. Remunerations and benefits in kind

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

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

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

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

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

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

#### 6.2.2. Pension commitments and other commitments

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

#### 6.2.3. Stock warrants allocated to company representatives and directors

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

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

Parity is 1 stock warrant for 1 THEOLIA share

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

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

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

#### 6.2.4. Free allocations of shares to company representatives and directors

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

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

#### 6.2.5. Period of retention

The law of 30 December 2006 “for the development of participation and employee shareholders” provides an obligation to retain all or some of the shares attributed to the director until the end of their term of office.

The Appointments and Remunerations Committee has undertaken the application of the said restrictions in these Reports, and the Chairman and Chief Executive Officer, Mr Jean-Marie Santander, has firmly and irrevocably agreed to retain a minimum of 25% of shares originating from these exercises until the cessation of his duties as Chairman of the Board of Directors or Chief Executive Officer.

### 6.3. **Participation of company representatives in the share capital**

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



## 7. Information about the capital

### 7.1. Share capital

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

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

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

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

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

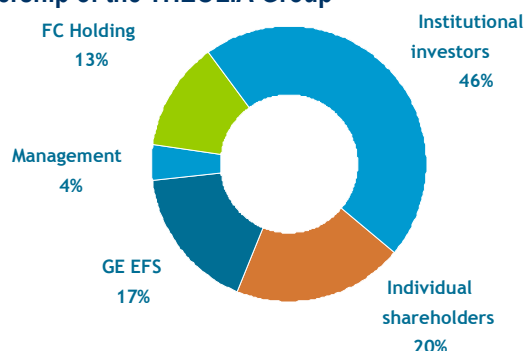
Name of directly registered shareholder	Beneficiary	Start date of pledge	Maturity date of pledge	Condition lifting pledge	of the Number shares pledged by the issuer	% of capital pledged by the issuer
ALMIRALL Edmond	Crédit du Nord (via the Société Générale)	27/04/2007	-	-	1,363	0.004%
GARINO Stéphane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

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

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

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

### 7.3. Share ownership of the THEOLIA Group



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

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

## 7.4. Dividends

### 7.4.1. Overall dividend

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

### 7.4.2. Future dividend policy

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

### 7.4.3. Dividend time limit

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

## 7.5. Operations relating to company securities

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

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

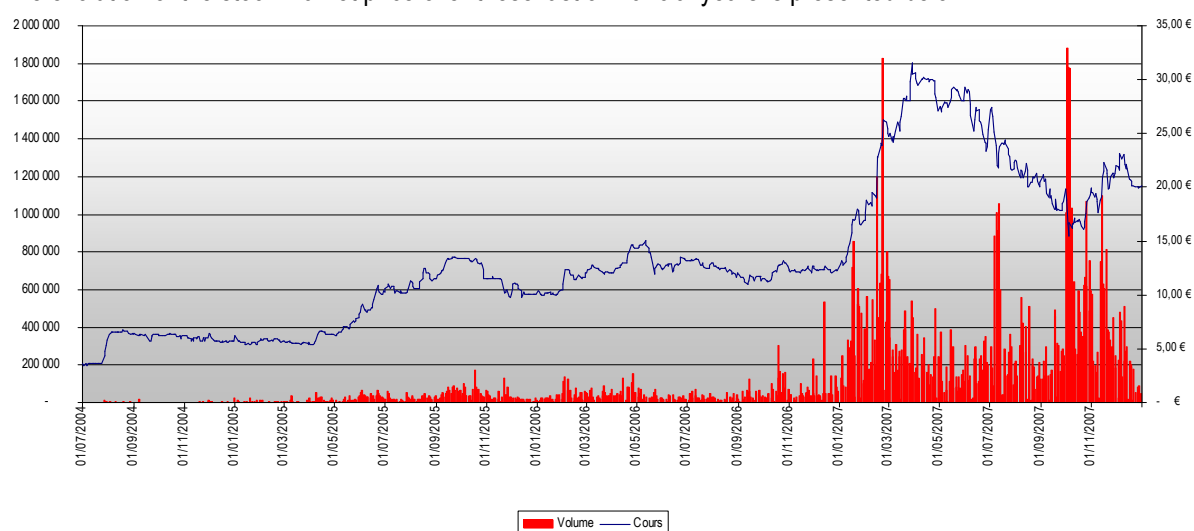
Furthermore, the Company, within the framework of this same liquidity contract, bought 295,969 shares at an average price of 22.306 euros.

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

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

## 7.6. Stock market performance indicators

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



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

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

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

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

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

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

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

### **8.1. Company financial year**

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

### **8.2. Activity**

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

#### **8.2.1. Integration of subsidiaries**

Natenco's arrival in the Group has strengthened THEOLIA's position in Germany and equipped the Group with structures in Brazil, India and countries of Eastern Europe, which can be added to the Spanish and French subsidiaries.

One of the Company's main concerns was then to integrate its new subsidiaries in order to optimise their potential. It was with this in mind that the human resources of the holding company were reinforced, but also that many procedures were put in place. The tools for collecting information necessary for the management and control of the subsidiaries were deployed during the year 2007.

#### **8.2.2. External growth**

At the same time as this integration work, the management of THEOLIA continued the implementation of its external growth strategy. This desire for development has led to the acquisition of 165 MW in operation in Germany from the subsidiaries of the GE Group. This contribution of assets, realised on 2 July 2007, has considerably strengthened the operational capacity of the Group. It has also enabled a strategic partner to take an equity shareholding.

Furthermore, and with a desire to implement its geographic diversification strategy, THEOLIA acquired the Maestrale Green Energy company, a leading Italian developer which operates in a particularly attractive market. It also created a subsidiary in Greece in order to accelerate its development in this area.

It was this same thinking that led to the creation of the Theolia Emerging Market (TEM) company, based in Casablanca and which will ultimately group together all companies based in emerging countries. The Theolia Emerging Market company has already taken a significant stake in the German company Eco2lutions, specialised in the trading of carbon credits.

### 8.2.3. Raising funds

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

## 8.3. **The income statement**

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

### 8.3.1. Sales and other income

The sales of the holding company amounted to € 5,968K for the 2007 financial year, compared with € 4,859 for the previous financial year which lasted 18 months.

These sales are comprised of the services invoiced to all subsidiaries as management fees. The increase in this item accounts for the development of the activity of support to subsidiaries. The margin obtained via re-invoicing to the subsidiaries amounted to € 543K.

The "other income" item comes to € 14,607K. It principally comprises the following items:

Transfer of expenditure to the subsidiaries.....	€ 210 K
Charges imputed to the issue premium.....	€ 5,981 K
Loan issue costs.....	€ 6,631 K
Costs of acquisition of holding securities.....	€ 1,201 K
Recovery of provision for debts .....	€ 576 K
Others.....	€ 5 K

The scale of this item is indicative of the activity of the holding company.

In fact, a significant proportion of the costs incurred by THEOLIA is related to external growth or fundraising. Accounting legislation imposes that certain expenses are recorded in expenditure, which are then reclassified in the balance sheet accounts since they constitute the costs related to the acquisition of an asset or the establishment of financing.

The reclassification of this expenditure in the balance sheet accounts is made by a Transfer of Expenditure account.

Thus, expenditure imputed to the issue premium reduces the equity capital within the framework of the capital increases. The loan issue costs are staggered over the duration of the loan and reclassified in a Deferred Expenses account. Lastly, the costs of acquisition of securities constitute the cost price of the holding.

### 8.3.2. Operating income

The operating income was € - 10,218 K, compared with € - 4,499 K at 31 December 2006. This variation in the operating income can mainly be explained by the increase in the provisions item.

The Buchen project, the gross value of which amounts to € 3,832K, was 100% provisioned over the financial year due to the uncertainties linked to its completion. This project consisted of the construction and operation of an eco-fuel production plant on the basis of recycling plastics via depolymerization.

Discussions with AWN, supplier of raw materials and in this way partner on the project, and the technical partner Nilltech, Swiss company specialised in the depolymerization of plastics, are currently underway.

A variation of € 1,376K can also be observed in the salaries and social costs item, linked to the reinforcement of the human resources of the holding company.

The operating income is in fact equal to all expenditure not invoiced to the subsidiaries and not transferred.

Analytical accounting enables us to establish that the total expenditure not re-invoiced amounted to € 10,990K, distributed as follows:

Buchen provision.....	€ 3,831 K
Amortisation of loan issue costs .....	€ 947 K

Salaries and costs not invoiced .....	€ 2,117 K
Other operating expenditure not invoiced.....	€ 4,095 K

### 8.3.3. Financial income

The financial income for the 2007 financial year amounted to € 9,537K. It mainly comprises interest payable by the subsidiaries within the framework of intra-group loans and dividends received by Ventura and income from the investment of cash surpluses. The financial expenditure is mainly due to the convertible bond loan issued in October 2007.

Breakdown of financial income in the sum of € 12,077 K:

Interest on advances of funds to subsidiaries.....	€ 4,636 K
Dividends received .....	€ 4,971 K
Income from cash investments.....	€ 1,881 K
Income from bonds.....	€ 82 K
Income from sale of own shares.....	€ 505 K
Foreign exchange gains .....	€ 1 K

Breakdown of financial expenditure in the sum of € 2,539K:

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

### 8.3.4. Exceptional income

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

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

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

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

### 8.3.5. Net income

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

## 8.4. **Cashflow statement**

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

#### 8.4.1. Activity

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

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

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

#### 8.4.2. Finance

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

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

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

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

Type of financial instrument: OCEANE bonds

Number of bonds.....	11,538,462
Amount of initial issue.....	€ 190,000,000
Clause .....	€ 25,000,000
Additional allocation option.....	€ 25,000,000
Duration of loan .....	30.10.07 / 01.01.14
Annual interest .....	2.00%
Gross actuarial rate of return.....	3.25%

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

#### 8.4.3. Investments

This cashflow has supported the activity of the subsidiaries and their organic growth through loans, the total amount of which granted during the financial year amounted to € 25,526K.

The accumulated cashflow also contributed to the realisation of external growth operations, particularly that of Maestrale Green Energy in Italy for a sum of € 6,761K.

During the financial year, the Company subscribed to the capital in the following companies:

BIOCARB .....	€ 806,321
CEFP .....	€ 11,840
THERBIO .....	€ 5,000
Theolia CEE .....	€ 1,000,000
Theolia Emerging Markets.....	€ 900,883
Theolia Grèce.....	€ 57,000

During the financial year, the Company subscribed to capital increases in the following companies:

THERBIO .....	€ 6,860,000
Thenergo .....	€ 5,628,376
CS2M .....	€ 493,265
Theolia Wind Power India.....	€ 800,000

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



Natenco Holding € 88,719,946

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

#### 8.5. Table of income over the last 5 years

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

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

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

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

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

**Statement of changes in shareholders' equity**

€ thousands

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

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

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## **1. General Information**

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

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

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

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

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

The Group mainly operates in Europe.

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

## **2. Accounting Principles**

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### **2.1. Declaration of compliance**

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

The accounts include in particular the provisions of:

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

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

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

The Group assessed the IFRS standards, amendments and IFRIC interpretations published and approved by the European Union on 31 December 2007, applicable at the latest on 1 January 2008,

as well as those published but not yet approved by the European Union on 31 December 2007. This is mainly a matter of IFRS standard 8 “Operating Segments”.

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

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

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

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

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

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

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

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

## **2.2. Consolidation Methods**

#### ▪ **Controlled entities**

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

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

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

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

- **Associated companies**

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

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

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

- **Grouping of companies**

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

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

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

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

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

## **2.3. Foreign currencies**

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

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

## **2.4. Income posting**

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

### **▪ Production of electricity**

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

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

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

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

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

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

### **▪ Financial income**

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

### **▪ Dividends**

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

## **2.5. Intangible assets**

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

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

Amortization, calculated from the date of use of the asset, is posted under income so as to reduce the accounting value of the assets over their estimated duration of use, according to the linear method. For contracts and licences, the duration of the amortizations used is 15 and 18 years.

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

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

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

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

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

Developments of wind farms are deemed intangible assets from the time that the Group creates a project level company in order to retain the rights arising from the development in order to use them itself.

While this decision has not been taken, the development costs are dealt with under inventories and work-in-progress.

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

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

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

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

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

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

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

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

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

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

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

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

The profit or loss arising from the end or inability to use an asset will be determined as the difference between the income from the transfer and the accounting value of the asset. The net income of the

transfer of these non-current elements is included under the title "Other operating income and expenses" on the income statement.

## **2.7. Rental agreements**

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

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

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

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

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

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

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

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

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

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

A depreciation test will be carried out:

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

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

### **▪ Goodwill**

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

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

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

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

Further, the activity of energy production from wind power is itself subdivided into as many CGUs as there are separate geographical sectors. Currently, 'separate geographical sector' refers to France and Germany, which are the only countries with farms in use. However, for sectional analysis, the France and Germany CGUs are grouped within the energy production from wind power sector. This grouping by country can be justified by the homogeneity of transactions carried out in relation to the farms in each country, as well as by the coherence in duration and tariffs of the contracts for sale of electricity in each country.

Any potential impairments are posted as a priority under goodwill, and then, where necessary, under other assets of the CGU, *pro rata* to their accounting value. Impairments established on goodwill are irreversible.

#### ▪ Intangible assets

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

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

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

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

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

Developments of wind farms are deemed intangible assets from the time that the Group creates a project level company in order to retain the rights arising from the development in order to use them itself.

During the time that this decision is not taken, the development costs will be dealt with under inventories and work-in-progress.



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

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

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

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

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

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

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

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

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

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

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

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

### **▪ Financial loans and debts**

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

### **▪ Financial assets available for sale**

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

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

- **Financial debts and operating debts**

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

- **Derived financial instruments**

- **Nature**

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

- **Evaluation and posting**

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

- **Derivative financial instruments designated as hedges**

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

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

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

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

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

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

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

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

## **2.13. Share capital**

Ordinary shares are classed as a share capital instrument.

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

Shares in the Company THEOLIA held by the Group are shown as a deduction from share capital, until annulment or transfer of the shares. In case of sale of such shares, the income net of costs

directly attributable to the transaction and tax implications is included in share capital attributable to part of the Group.

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

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

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

### **▪ Share warrants**

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

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

### **▪ Free shares**

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

### **▪ Posting**

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

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

Only programmes subsequent to 7 November 2002 have required posting.

## **2.15. Employee benefits**

### **▪ Types of schemes**

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

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

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

- **Nature of undertakings**

- **Retirement indemnities**

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

- **Complementary retirement schemes**

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

- **Assessment of undertakings**

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

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

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

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

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

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

## **2.16. Other provisions**

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

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

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

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

Possible dismantling costs are not the subject of a provision, to the extent that the Group believes that currently, these costs are not significant (around 30 to 40 K€ per mast, established costs in France and Germany), and will remain at a level less than or equal to the amount which would arise from its dismantling.

In current conditions, the dismantling of installed windmills would result in no cost.

## **2.17. Loans**

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

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

Loans are separated into:

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

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

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

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

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

## **2.19. Deferred tax**

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

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

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

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

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

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

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

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

The income statement is presented according to nature of expense.

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

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

## **2.21. Earnings per share**

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

## **2.22. Information by sector**

### **▪ Primary information: business lines**

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

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

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

- Production of electricity from biomass and cogeneration techniques,
- Production of electricity from peaking stations,
- Waste treatment, assessment of air quality, sludge treatment.

### **▪ Secondary information: geographic**

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

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

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

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

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

### **2.23. Pro forma information**

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

## **3. Estimates and uncertainties**

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

The key hypotheses are as follows:

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

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

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

Some of the principles used rely on the judgement of the Group Directors in the choice of hypotheses used for the calculation of financial estimates, which involve a certain degree of uncertainty because of their nature. These estimates rely on comparable historical data and on different hypotheses which are deemed the most reasonable and the most likely in the circumstances.

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

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

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

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

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



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

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

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

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

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

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

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

### **3.3 Deferred taxes**

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

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

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

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

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

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

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### **4.1 Credit risk**

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

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

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

Most trade receivables are paid within 2 months.

### **4.2 Liquidity risk**

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

### **4.3 Exchange risk**

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

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

### **4.4 Interest rate risk**

Financing projects created by the Group, in particular wind farms, requires significant reliance on debt. A significant rise in interest rates could therefore have an impact of the profitability of future Group projects.

In order to limit this risk, the Group has implemented a policy of covering rate risks through contracts for the exchange of interest conditions (rate swaps). From an economic point of view, the implementation of these swaps allows the conversion of variable rate loans to fixed rate loans and to protect itself against fluctuation in interest rates.

Power stations in operation benefit from long-term fixed rates. In general, banking establishments require cover for 100% of the amount of finance, for its entire duration.

The Group does not apply cover accounting.

## 5. Principal facts characteristic of the period

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### ▪ Registration of THENERGO on Alternext

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

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

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

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

### ▪ Partnership with General Electric

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

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

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

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

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

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

### ▪ Creation of THEOLIA Greece

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

### ▪ Creation of THEOLIA Emerging Markets

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

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

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

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

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

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

The accounting system applied will depend on the degree of advancement of the relevant projects at closing.

When the project's advancement does not guarantee its successful conclusion, no liability will be declared or posted.

When it becomes likely that the remuneration will be paid, in light of the project's advancement, the corresponding future liability will be stated in the annex.

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

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

## **6. Events subsequent to closing**

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- **Acquisition of the Company *Compagnie Eolienne du Détroit* by THEOLIA**

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

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

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

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- **Scope of consolidation**

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

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

- **Acquisitions**

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

- **Transfers and other variations**

- **Constitution of the THENERGO organisation**

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

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

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

- Posting of all income and expenses for the period from 1 January 2007 to the date of increase in capital, that is 14 June 2007,
  - Posting of income after that date for only the Group share (29.19%) under the title "Income from associated companies"
  - Posting of the investment under the title "Associated companies" in place of the assets and liabilities of the THENERGO sub-group
- **Transfer of the Company Centrale Eolienne de la Fage.**

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

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

- **Pro forma information**

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

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

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

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

(\*) cf. note 8

## 8. Groupings of companies

### Previously acquired assets and liabilities

#### ▪ APESA (Spain)

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

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

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

#### ▪ Natenco

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

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

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

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

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



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

#### ▪ Natenco SAS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 9. Goodwill

### ▪ Analysis of item

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

### ▪ Allocation of goodwill per Cash Creating Unit

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

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

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

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

## 10. Intangible assets

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

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

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

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

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

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

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

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

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

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

A 100% provision has been established for the period in relation to the Buchen project, the gross value of which amounts to 3 832 K€, on account of the uncertainties linked to its implementation. This project consists of the construction and operation of a factory producing eco-fuel from the reprocessing of plastics through depolymerisation.

Negotiations with AWN, the supplier of the raw material and a project partner in this capacity, and the technical partner Nilltech, a Swiss Company which specialises in the depolymerisation of plastics, are currently underway.

However, before entering into any binding contractual arrangements, AWN wishes to validate on site the technology which is proposed by Nilltech.

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

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

## 11. Property, plant and equipment

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

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

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

- the wind power station at Sablons  
11 795 K€
- the wind power station at Les Plos  
13 163 K€

- the wind power station in Moulin de Froidure  
14 513 K€
- the waste treatment plant  
10 817 K€

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

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

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

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

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

## 12. Associates

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

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

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

In 2007, the item has evolved as follows:

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

The principal financial data for the associates is as follows:

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

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

### 13. Financial assets

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

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

## 14. Other non-current financial assets

### ▪ Changes

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

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

### ▪ Repayment schedule 31/12/2007

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

### ▪ Repayment schedule 31/12/2006

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

### ▪ Analysis

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



## 15. Inventories

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

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

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

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

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

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

## 16. Trade receivables

### ▪ Changes

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

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

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

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

### ▪ Repayment schedule 31/12/2007

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

## 17. Other current assets

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

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

The miscellaneous debtors represent receivables held by the following contractors:

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

The provisions for depreciation relate to receivables from earlier periods.

## 18. Cash and cash equivalents

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

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

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

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

## 19. Share capital

### ▪ Number of shares in circulation

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

Including 37 776 own shares

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

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

No dividend has been distributed either before or after closing.

## 20. Payments based on shares

### ▪ Summary of share warrant transactions

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

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

The 210 000 non-exercisable warrants were warrants which were subject to specific conditions which were not fulfilled on 31 December 2006. On 31 December 2007 these warrants became definitively non-exercisable.

This has had no effect on the accounts which were closed on 31 December 2007.

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

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

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

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

#### ▪ Breakdown of the warrants

	Warrant 1	Warrant 2	Warrant 3	Warrant 4	Warrant 5	TOTAL
Subscription price	0,001	0,001	0,001	0,001	0,001	
Exercise price	2,06	2,06	2,06	2,06	2,06	
Term			5 years from subscription			
Par value	1,187	1,187	1,187	1,187	1,187	
Expired or non-exercisable during the period*	-	-	5 000	5 000	-	10 000
Balance on 31 December 2006	316 652	-	36 000	120 000	120 000	592 652
Issued during the period	-	-	-	-	-	-
Exercised during the period	54 465	-	-	84 000	-	138 465
Balance on 31 December 2007	262 187	-	36 000	36 000	120 000	454 187
Expired during the period	162 114	-	167 857	50 799	559 554	100093
	Warrant CS1	Warrant CS2	Warrant CS3	Warrant CS4	Warrant CS5	TOTAL
Subscription price	0,000485	0,000485	0,000485	0,000485	0,000485	
Exercise price	4,85	4,85	4,85	4,85	4,85	
Term						
Par value	1,187	1,187	1,187	1,187	1,187	
Expired or non-exercisable during the period *	-	50 000	50 000	50 000	50 000	200 000
Balance on 31 December 2006	101 000	100 000	100 000	50 000	50 000	401 000
Issued during the period	-	-	-	-	-	-
Exercised during the period	101 000	100 000	-	-	-	201 000
Balance on 31 December 2007	-	-	100 000	-	-	100093
Issued during the period	10 000	10 000	29 093	10 000	64 000	123093
Exercised during the period	10 000	3 000	0	10 000	-	23000
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	0	7 000	29 093	0	64 000	100093

	Warrant JP06	Warrant LF06	Warrant NS06	Warrant SG06	Warrant SO06	TOTAL
Subscription price	0,0001	0,0001	0,0001	0,0001	0,0001	
Exercise price	15,28	15,28	15,28	15,28	15,28	
Deadline for exercise	31.05.09	19.05.09	31.05.09	16.05.09	19.05. 09	
Par value	1	1	1	1	1	
Balance on 31 December 2006	-	-	-	-	-	0
Issued during the period	10 000	29 093	10 000	31 451	10 000	90544
Exercised during the period	10 000	-	10 000	-	3 000	23000
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	0	29 093	0	31 451	7 000	67544

	Warrant EP07	Warrant LF07	Warrant SO07	Warrant A SG07	Warrant GF	TOTAL
Subscription price	0,0001	0,0001	0,0001	0,0001	0,0001	
Exercise price	15,28	15,28	15,28	15,28	15,28	
Deadline for exercise	1.01.10	1.01.10	1.01.10	1.01.10	28.06. 09	
Par value	1	1	1	1	1	
Balance on 31 December 2006	-	-	-	-	-	0
Issued during the period	29 093	29 093	29 093	31 451	18 000	136730
Exercised during the period	-	-	-	-	-	0
Expired or non-exercisable during the period *	-	-	-	-	-	0
Balance on 31 December 2007	29 093	29 093	29 093	31 451	18 000	136730

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

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

#### ▪ Free shares

Free shares were issued on the following dates:

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

Making a total of 598 715 shares

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

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

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

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

- for 2008: 941 K€
- for 2009: 94 K€

## 21. Financial liabilities

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

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

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

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

## 22. Financial debts and derivative financial instruments

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

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

### ▪ Changes in loans and financial debts

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

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

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

The repayments over the period were made pursuant to:

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

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

The other repayments correspond to decreases in the current accounts.

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

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

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

#### ▪ Analysis according to interest rate

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

#### ▪ Analysis according to due date

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

#### Convertible loan

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

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

Annual interest:	2.00%
Yield to maturity	3.25%

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

Amount repayable:

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

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

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

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

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

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

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

#### ▪ Derivative financial instruments

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

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

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

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



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

## 24. Provisions for employee benefits

### ▪ Elements of the charge for the period

	31/12/2007	31/12/2006
<b>Pension costs</b>	<b>108</b>	<b>112</b>

### ▪ Changes to the provision

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

### ▪ Main actuarial hypotheses

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

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

## 25. Other provisions

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

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

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

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

## 26. Trade payables and other creditors

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

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

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

The other debts mainly relate to the following transactions:

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

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

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

## 27. Businessline information

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### ▪ Breakdown by sector

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

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

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

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

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

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

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

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

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

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

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

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

## Notes on the income statement

### The construction and sale of wind farms

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

This turnover is distributed between:

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

This increase is mainly explained by:

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

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

### The sale of electricity produced from wind energy

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

This significant increase is explained by the following factors:

- The commissioning during the period of wind farms developed by the Group in France (35.50 MW) 1 213 K€
- The full-year effect of the wind farms developed by the Group in France and commissioned in 2006 (19 MW) 3 431 K€
- The consolidation in a full year of the wind farms acquired the previous year 8 175 K€

- The consolidation in a full year of Natenco Gmbh 27 693 K€
- The acquisition of wind farms during the period in the context of the contribution made by GE Energy Financial Services (165 MW+1.50 MW commissioned after the acquisition) 13 398 K€

#### Non-wind activities

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

This change is explained by the following factors in particular:

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

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

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

#### "Holding company" activity:

The "holding" sector consolidates the following entities:

- THEOLIA SA
- THEOLIA Iberica
- TEM

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

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

Charges in the holding sector correspond to the following activities:

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

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

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

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

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

### **Notes on the balance sheet**

#### The construction/sale of wind farms

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

Non-current assets are therefore made up of:

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

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

Current assets include in particular:

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

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

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

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

This sector consolidates the assets of the operational wind farms.

Non-current assets are therefore made up of:

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

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

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

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

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

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

#### Non-wind activities

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

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

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

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

#### Holding company activities

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

Non-current financial liabilities are comprised of the convertible OCEANE bonds, that is to say 196 268 K€. Current liabilities are comprised in particular of the debts owed to suppliers and other creditors, that is to say 14 950 K€.

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

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

## ▪ Distribution by geographical zone

31/12/2007 (in thousands of Euro )

	France	Germany	Rest of world	Inter-sector eliminations	Total
Sales	39 075	263 147	7 413		309 636
Inter-country sales	(3 155)	-	-	-	(3 155)
<b>Total</b>	<b>35 920</b>	<b>263 147</b>	<b>7 413</b>	<b>-</b>	<b>306 481</b>
Current operating income	(24 041)	22 264	(1 474)	-	(3 250)
Other operating income and expenses	22 776	-	(1 763)	-	21 014
Goodwill impairment	(56 490)				(56 490)
<b>Operating income</b>	<b>(57 755)</b>	<b>22 264</b>	<b>(3 237)</b>	<b>-</b>	<b>(38 726)</b>
Portion of income attributable to associates		(4)	593	-	589
<b>Consolidated Balance Sheet</b>					
<b>Non-current assets</b>	<b>125 283</b>	<b>412 611</b>	<b>107 275</b>	<b>-</b>	<b>645 169</b>
<i>including investments</i>	<i>111 296</i>	<i>249 311</i>	<i>31 304</i>		<i>391 910</i>
<i>including non-allocated non-current assets</i>	<i>2 007</i>	<i>42 548</i>	<i>64 186</i>	-	<i>108 741</i>
<b>Current assets</b>	<b>252 886</b>	<b>249 583</b>	<b>12 354</b>		<b>514 824</b>
<i>including non-allocated current assets</i>	<i>-</i>	<i>-</i>	<i>-</i>		<i>-</i>
<b>Total consolidated assets</b>	<b>378 170</b>	<b>662 194</b>	<b>119 629</b>	<b>-</b>	<b>1 159 994</b>

31/12/2006 (in thousands of Euro)

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

#### Consolidated Balance Sheet

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

## 28. Other operating income and expenses

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

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

## 29. Personnel expenses

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

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

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



### 31. Net financial result

#### ▪ Analysis of the item

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

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

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

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

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

### 32. Taxes on earnings

#### ▪ Analysis of tax expense

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

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

- **Tax proof**

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

- **Nature of deferred taxes**

#### Assets

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

#### Liabilities

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

- **Use of deficits**

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

- **Tax assets which do not appear in the accounts**

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

### 33. Earnings per share

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

### 34. Associated parties

- **Associates**

Associates are companies over which the Group may exercise a significant influence and which are included in the accounts on the basis of the equity method, as well as those companies which are viewed as associated parties, in particular FC Holding. The transactions entered into with these companies are set out in the table below.

No transaction has been recorded with those companies which are included in the accounts in accordance with the equity method.

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

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

#### ▪ Directors' remuneration

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

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

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

### 35. Possible commitments, liabilities and assets

#### A – Commitments given by THEOLIA SA

##### • Take-over of the SERES fund

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

##### • Financing of wind activities

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

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

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

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

##### • Support and development of the activities of Ecoval Technology

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

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

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

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

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

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

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

However the guarantee in respect of the commitments of CESAL, CERON and CELGC remain in force as the financing structures have not yet been definitively put in place for these three companies. Nonetheless the financing agreement for CESAL has been signed and shall enter into force following compliance with the final conditions precedent, which should take place in the coming days, on which date the guarantee in respect of the commitments of CESAL shall be terminated.

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

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

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

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

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

The framework agreement also stipulates that:

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

obligations to make payments and repayments incumbent upon each of the Potential Borrowers pursuant to the Revolving Credit Facility.

The framework agreement also stipulates that:

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

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

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

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

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

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

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

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

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

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

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

- **Undertakings given by Theowatt**

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

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

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

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

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

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

- **Undertakings of Ecoval Technology**

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

- **Undertakings of Natenco GmbH**

In the context of its activities Natenco has pledged to various banks a certain number of accounts opened on their books with a view to guaranteeing the costs which could arise when certain wind farms are dismantled.

The total of these pledges amounts to 3 297 K€ on 31 December 2007.

- **Undertakings of THEOLIA Iberica**

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

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

- **ASSET Electrica**

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

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

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

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

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

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

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

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

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

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



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

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

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

- **THEOLIA SA**

- Co-operation agreement between THEOLIA and General Electric

In the context of the co-operation agreement concluded between General Electric and THEOLIA, General Electric has undertaken to offer to THEOLIA the wind energy projects in development which are situated in the European Union.

Moreover, General Electric has undertaken to propose to THEOLIA wind energy projects which are about to be constructed or have been constructed but which have not yet reached their commercial operating date and where capacity is less than 45 MW.

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

- **THEOLIA France**

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

#### **E – Disputes**

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

- **Commercial disputes**

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

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

- **Tax audits**

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

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

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

- **Disputes in relation to building permits**



- Disputes in relation to building permits in France

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

- Disputes in relation to building permits in Italy

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

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

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

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

- **Disputes before the employment tribunal**

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

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

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

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

- **The Suzlon dispute**

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

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

### 36. List of Group companies

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

Companies exiting during the period

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

Companies exiting during the period