2010 ANNUAL FINANCIAL REPORT

❶ **CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT**

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① DECLARATION BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with applicable accounting standards and fairly present the assets and liabilities, financial position and income of the Company and of all consolidated entities and that the accompanying Management Report gives a true and fair view of the business performance, income and financial position of the Company and of all consolidated entities, together with a description of the main risks and uncertainties facing them.

Fady Khallouf
Chief Executive Officer

② 2010 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

The THEOLIA Group is an independent producer of wind powered electricity. Working at the core of a rapidly growing industry, the Group develops, builds and operates wind farms for its own account and on behalf of third parties.

As of December 31, 2010, the Group operated 869 megawatts ("MW") of which 283 MW were for its own account and 586 MW for those of others. These wind farms are located mainly in four countries: France, Germany, Morocco and, since 2010, Italy.

The Group's installed capacity broke down as follows as of December 31, 2010:

	MW operated for own account (1)	MW operated for third parties	TOTAL
France	73	85	158
Germany	145	502	646
Morocco	50	-	50
Italy	15	-	15
TOTAL	**283**	**586**	**869**

(1) *Net capacity based on THEOLIA's percentage equity interest.*

THEOLIA is an integrated industrial operator that is involved in each stage of development of a wind project. The Group's expertise covers the entire value chain for producing electricity from wind energy. These are prospecting, development, construction, and the operation of wind farms.

As of December 31, 2010 the Group's portfolio of wind projects under development totaled 846 MW of which 151 MW were in the completion phase, including those projects which had obtained a building permit and wind farms under construction.

The Group is also considering various wind projects that are in the prospecting phase and that may be added to the Group's developing projects portfolio.

This Management Report covers the business of the Company and its Group during 2010. It was approved by the Board of Directors during its meeting on April 18, 2011.

1. INTRODUCTION TO THE GROUP

THEOLIA is a specialist in wind energy. As an independent player, the Group develops, builds and operates wind farms for its own account and on behalf of third parties.

The Group also is involved in non-wind businesses (see paragraph 1.6 of this Management Report) which include a solar business that makes up a very small part of its portfolio as well as various activities in its environmental division which is now being sold off.

1.1 WIND ACTIVITY

THEOLIA is an independent player in the wind energy sector. The market for wind energy is especially robust and offers significant prospects for growth.

Management is convinced that wind provides an excellent source of renewable energy that contributes to the energy mix at the worldwide level and to the independence of the country developing it. It offers many advantages including the principal ones below:

- wind is a free resource that avoids any uncontrolled price fluctuation;
- wind is an abundant and inexhaustible resource that does not pose any problems of supply;
- winds are more frequent in winter when electricity demand is at its highest;
- producing electricity from wind emits no greenhouse gas nor does it produce any waste;
- even when confronted with the worst-case scenario, wind farms only pose a very limited risk to the surrounding population unlike other methods of electrical generation, in particular nuclear; and
- wind turbine technology today is viable, mature and reliable, while being accessible at an increasingly competitive price.

Moreover, current national and international policy increasingly supports the development of renewable energy. The Group, consequently, benefits from certain measures and aid granted to the wind energy sector. In its main markets, these measures take the form of fixed purchase prices over long time periods of up to 15 or 20 years and certain tax and financial incentives. THEOLIA's management believes that this favorable environment will continue for the foreseeable future.

The Group's expertise consists of developing, building, and operating wind farms with each of these businesses being able to operate for their own account or on behalf of third parties.

The Group operates three businesses within the wind energy sector:

- the development, construction and operation of wind farms for its own account ("Sale of electricity for own account" activity);
- the development - construction of wind farms for third parties and the sale of wind farms to third parties ("Development, construction, sale" activity**)**; and
- the operation of wind farms on behalf of third parties ("Operation" activity).

Sale of electricity for own account

The Group develops, builds and operates wind farms for its own account. Hence, it records the proceeds from the sale of electricity from the wind farms held for its own account as revenue. As of December 31, 2010 THEOLIA operated 283 MW for its own account located in four countries: France, Germany, Morocco and Italy. The table below shows the breakdown of net installed capacity by country:

(MW)	Installed capacity held for own account (1)
France	73
Germany	145
Italy	15
Morocco	50
Total	**283**

(1) The installed capacity held for the Group's own account is expressed in net capacity to reflect THEOLIA's interest in each SPV (project support company).

Financing the wind farms held for own account is ensured by a combination of equity capital from THEOLIA and bank loans in the form of project finance without recourse or with limited recourse against the parent company (see paragraph 2.5.3 of this Management Report), except in the case of guarantees, sureties or other off-balance sheet commitments described in paragraph 2.6 of this Management Report.

The electricity produced from the installed capacity held for own account generates a predictable and recurring income stream over a long period of from 15 to 20 years depending on the country. This income may vary depending on the locally observed weather conditions, but THEOLIA's operational presence in four countries tends to reduce the eventual impact from unfavorable weather conditions.

Development, construction, sale

Management may decide to sell a wind project being developed or one already in operation. Then the Group records the proceeds from the sale as revenue.

During 2010, THEOLIA sold a total of 72.3 MW under operation in Germany.

If the project sold while being developed, the Group offers the buyer to continue with development and construction of the farm until it is commissioned. Management then records the services provided to build a wind farm on behalf of a third party as additional revenue. These goods and services rely on the trust which third parties have in the quality of engineering of the Group's personnel.

In 2010, the Group completed construction of several wind farms in Germany and France on behalf of third parties. This led to the commissioning of three wind farms in France with a combined capacity of 49 MW.

Thus the Development, construction, sale activity includes developing and building wind farms for third parties as well as selling wind projects or farms to third parties.

Operation

Whether it sold a wind farm under operation or completed the construction of one for a third party, the Group automatically proposes to the wind farm's owner to continue operating it for its expected lifespan. In exchange, the Group receives revenue. In the case of contracts without guarantee of margin for the wind farms's new owner, THEOLIA only recognizes the management fees. an income stream that can take two forms depending on the contractual setup:

This activity of operational management has the following advantages:

- creation of an additional recurring income stream;
- client portfolio management for possible repeat sales;
- providing clients with a service (day-to-day management and maintenance) without which they would probably not make the acquisition;
- prospect of possible repowering operations done by the Group following several years of operating the wind farm; and
- continuous improvement of the Group's technical know-how of wind turbines based on experience feedback.

Bolstered by its experience of operating 869 MW (for both its own account and for third parties) as of December 31, 2010, the Group is planning to offer the owners of wind farms that THEOLIA had not have developed or built to take over the operation and maintenance of their wind farms so as to generate economies of scale for the Group's Operation activity.

1.2 THE GROUP'S WIND PORTFOLIO

As of December 31, 2010, the Group operated 869 MW of which 283 MW were for its own account and 586 MW for those of others. The Group's installed capacity broke out as follows as of December 31, 2010:

	MW operated for own account [(1)]	MW operated for third parties	TOTAL
France	73	85	158
Germany	145	502	646
Morocco	50	-	50
Italy	15	-	15
TOTAL	**283**	**586**	**869**

(1) *Net capacity based on THEOLIA's percentage equity interest.*

The principal changes from December 31, 2009 are as follows:

- the Giunchetto wind farm in Italy was commissioned with a net capacity of 15 MW for the Group;
- a 55.5 MW wind farm was sold in Germany; and
- in France three wind farms were commissioned for third parties with a cumulative capacity of 49.2 MW.

The Group is developing a significant portfolio of projects to feed its wind farm businesses.

It is making a major effort in three large European countries: France, Italy and Germany.

In Morocco, management is analyzing several development opportunities. As of the date of this Management Report, these opportunities are still in the initial prospecting stage, which does not justify including them in the Group's portfolio of projects under development.

In India, management has not included any projects in its portfolio because it intends to end the partnership with its local partner.

As of December 31, 2010, the Group's portfolio of projects under development contained 151 MW in the backlog phase of which 126 MW had obtained a construction permit and 25 MW were under construction.

As of December 31, 2010, this portfolio of developing projects was broken down as follows:

(MW)		**Development**	**Permits applied for**	**Permits obtained**	**Under construction**	**Total**	
				Backlog			
Principal countries							
France		178	144	27	18	367	43%
Italy		90	165	99	0	354	42%
Germany		4	35	0	7	46	5%
Morocco		0	0	0	0	0	0%
SUB-TOTAL	In MW	**272**	**343**	**126**	**25**	**766**	
	In %	**32%**	**41%**	**15%**	**3%**		**91%**
Emerging countries							
Brazil		80	0	0	0	80	9%
TOTAL	In MW	**352**	**343**	**126**	**25**	**846**	
	In %	**42%**	**41%**	**15%**	**3%**		**100%**

The Group is also considering various wind projects that are in the prospecting phase and that may be added to the Group's developing projects portfolio.

1.3 GEOGRAPHIC LOCATIONS

THEOLIA is an international player in the wind energy sector.

The Group develops, builds and operates wind farms in four main countries: France, Germany, Italy and Morocco.

These geographical locations were chosen for their major potential for imminent growth sustained by a legal and regulatory policy that favors the development of renewable energy and wind energy in particular.

The diversity of the Group's geographical locations enables it to gradually reduce the risks associated with temporarily bad weather conditions that could have an unfavorable impact on its operational wind farms or with changes to the regulations that apply to producing electricity from wind power which could impact its projects under development.

THEOLIA wants to strengthen its operational positions in each of the countries where it operates.

The Group is also positioned in certain emerging countries like Brazil, which are potential drivers of future growth. The Group does not yet operate any wind farms there, but is developing plans that correspond to the specific framework of each country i.e. auctions, calls for bids, etc.

THEOLIA is an integrated industrial operator. The Group employs operational experts and specialists for each phase of development. Its employees have expertise throughout the wind power sector value chain: prospecting, development, construction and operation of wind farms. In order to maximize this know-how, the Company encourages the exchange of expertise across the Group's functions according to the needs of the subsidiaries in different countries.

THEOLIA in France, Germany, Italy and Morocco

THEOLIA in France

In May 2005, THEOLIA acquired VENTURA SA, a developer of wind power projects in France. Then, in December 2006, with its acquisition of NATENCO GmbH, the Group acquired the NATENCO SAS company, which also specializes in developing wind power in France. On December 31, 2009 the Group transferred all of the assets and liabilities of these two companies to THEOLIA France SAS.

As of December 31, 2010, THEOLIA France operated 158 MW of which 73 MW were for its own account and 85 MW for those of others.

Revenue in France over the year 2010 represented 8% of the Group's total consolidated revenue.

In France, the Group develops, builds and operates wind farms for its own account and for third parties.

The development, construction and operation of wind farms for own account

As of December 31, 2010, the Group's portfolio of projects under development in France contained 45 MW in the backlog phase of which 18 MW were under construction and 27 MW had obtained construction permits free of any recourse.

The following table presents the details of the project pipeline developed by THEOLIA France for its own account totaling 367 MW on December 31, 2010.

	Number of projects	MW
Development	10	178
Permits applied for	5	144
Permits obtained	2	27
Under construction	1	18
TOTAL	**18**	**367**

In addition, as of December 31, 2010 THEOLIA France had eight wind farms in operation for its own account with a total capacity of 73 MW. The capacity which the company held for its own account in France in 2010 produced 134.9 GWh.

The development, construction and operation of wind farms for third parties

As of December 31, 2010 THEOLIA France had eight wind farms in operation for third parties with a total capacity of 85 MW. The Group is also developing a portfolio of project for third parties in France. The following table presents the details of the projects portfolio developed by THEOLIA in France for third parties totaling 31 MW on December 31, 2010:

	Number of projects	MW
Permits obtained	1	13
Under construction	1	18
TOTAL	**2**	**31**

Since 2008, the terms for obtaining construction permits have become more stringent. As a result, THEOLIA has had some construction permit applications refused. THEOLIA has automatically lodged appeals against the refusal to issue these construction permits and hopes to eventually win a case for a significant share of these permits. THEOLIA explains that the projects under appeal do not appear in its portfolio of projects under development nor for its own account nor for the account of third parties, but they are liable to be reintroduced should THEOLIA's lawsuit turn out favorably.

See Chapter 4 of this Management Report for additional details concerning the risks associated with not obtaining construction permits and the opposition of people and associations to the wind farms.

THEOLIA in Germany

Germany is the largest wind market in Europe, with the largest aggregate installed capacity.

The Group became a significant player in the German market in December 2006 with the acquisition of Natenco GmbH (subsequently renamed THEOLIA Naturenergien GmbH on January 1, 2010).

In Germany, the Group develops, builds and operates wind farms for its own account and on behalf of third parties. The Group also regularly sells wind farms under operation as part of its trading activity which is specific to the German market.

As of December 31, 2010, THEOLIA Naturenergien operated 646 MW in Germany of which 145 MW were for its own account and 502 MW for those of others. To date, THEOLIA Naturenergien also held 7 MW under construction and filed building permit applications for five wind projects totaling 35 MW.

The following table presents the details for THEOLIA Naturenergien's portfolio of projects under development on December 31, 2010:

	Number of projects	MW
Development	1	4
Permits applied for	5	35
Permits obtained	-	-
Under construction	2	7
TOTAL	**8**	**46**

This table contains all of the projects developed by the Group in Germany whether or not they were meant to be kept or to be sold.

Revenue in Germany over the year 2010 represent 85% of the Group's total consolidated revenue. Management expects that Germany will continue to represent a major share of the Group's activities over the next few years given the political support for and public opinion in favor of wind energy.

Production of electricity for own account

As of December 31, 2010 the Group's installed capacity for its own account in Germany accounted for 145 MW broken down among 23 wind farms of which 1 was held in partnership. The capacity which the company held his for its own account in 2010 produced 197.5 GWh.

Trading wind farms under operation

The Group also conducts a trading business in Germany whereby it acquires wind energy projects under development, in general advanced, and it completes them, connects them to the electrical grid, and then sells them when they are commissioned or a short time thereafter.

The short cycle of completing the securing of the permits and of the construction which follows the project's acquisition in general takes 12 to 18 months, compared to a development phase which lasts from 4 to 7 years for a project developed beginning with prospecting. This strategy allows for a quick turnover of the invested capital.

This activity is especially suited to the particularities of the German market and especially to the presence of many developers of wind energy projects and to demand from wealthy individual investors receiving tax breaks if they invest in small and medium sized companies, including those that operate in the wind energy sector.

The projects are typically financed through a combination of credit lines and project finance debt without recourse or with limited recourse against the parent company (see paragraphs 2.5.3 and 2.6 of this Management Report).

Traditionally, the sale of wind farms has been carried out through a partnership with FC Holding (subsequently renamed Windreich AG) which is owned by Willi Balz, a German entrepreneur.

For two years THEOLIA has been using other sales outlets and is targeting new buyers, institutional investors in particular. In August 2009, it sold a portfolio of 100.6 MW of wind energy assets and projects to the German state-owned company RheinEnergie. Likewise, in May 2010, the Company sold an operating wind farm of 55.5 MW to Dortmunder Energie- und Wasserversorgung GmbH.

For FY 2010, THEOLIA sold a total of 72.3 MW of wind farms in Germany compared to 142.8 MW in 2009 of which 133.8 MW was installed capacity.

Operating for third parties

The principal consequence from the trading activity is that the Group continues to operate a large number of wind farms which it sells in Germany. Thus, as of December 31, 2010, the Group operated 502 MW on behalf of third parties divided among 109 wind farms throughout Germany.

Other businesses

With respect to the German market's maturity, management has been discussing starting other businesses in Germany such as boosting the production capacity of existing wind farms, known as repowering.

THEOLIA in Italy

The Group entered the Italian market for wind energy in November 2007 with its acquisition of Maestrale Green Energy s.r.l., a developer of wind projects.

In Italy, the Group develops, builds and operates wind farms for its own account. However, the Group can decide to sell a minority stake in its wind farms or projects.

In mid October 2010, the Group commissioned its first wind farm in Italy: the Giunchetto wind farm in Sicily's Enna province. This farm has a total power of around 30 MW and was developed by Maestrale Green Energy's teams. The non-recourse finance was set up in January 2010. In April 2010 39% of this wind farm was sold to Repower Produzione Italia spa. THEOLIA now holds a 51% interest in this operating wind farm for a Group net capacity of 15 MW for its own account.

The Group recorded its first revenues in Italy during 2010 which represent 1% of total consolidated revenue. The Group will benefit from the full-year effect from this commissioning during 2011.

As of December 31, 2010, Maestrale Green Energy also held 99 MW for which building permits had been obtained and it had filed applications for permits to build five wind energy projects totaling 165 MW.

The following table presents the details of the projects portfolio developed by Maestrale Green Energy totaling 354 MW on December 31, 2010:

	Number of projects	MW
Development	2	90
Permits applied for	5	165
Permits obtained	3	99
TOTAL	**10**	**354**

This portfolio includes both projects developed by third parties and repurchased by the Group and projects developed by Maestrale Green Energy from the prospecting stage. Maestrale Green Energy is stepping up these co-developing projects from the prospecting stage in cooperation with local developers.

In Italy, there is significant community opposition to wind farms, making it difficult to obtain building permits for wind projects and increasing the number of proceedings brought against the Group once the permit is obtained. In 2010, the Giuggianello project, which was the object of a third-party lawsuit, was restored to the Group's project portfolio after the Court threw out the lawsuit. As of December 31, 2010 a single project with a net capacity of 10 MW was the object of a third-party claim.

THEOLIA in Morocco

In Morocco the Group acquired, on January 4, 2008, 100% of the shares of the Compagnie Eolienne du Detroit (CED) for €45 million financed by shareholders' equity. CED operates a wind farm located at Tétouan which comprises 84 wind turbines with a total installed power of 50.4 MW. The farm was commissioned in 2000.

In 2010, the revenues from this wind farm in Morocco represented 4% of the Group's consolidated revenue for that year.

On October 2, 1998, CED entered into the following contracts with the Moroccan "*Office National de l'Electricité*" ("ONE"): (a) a transfer of use agreement, transferring to CED the right to use this wind farm until 2019, (b) a supply and sales contract for electricity establishing the terms of repurchase by ONE of the totality of all electricity produced by the farm, and (c) a construction and commissioning contract.

After August 30, 2010, ONE has the right to terminate the supply and sales agreement at any time by paying an indemnity. This indemnity would be around USD 20.2 million, an estimate based on the Moroccan dirham's exchange rate with the US dollar as of December 31, 2010, if ONE exercises its option to rescind before the end of August 2011. This sum will decline over the years in 12-month sliding scales under the contract's terms. The stipulated termination of the supply and sales agreement would lead automatically to the termination of the transfer of use agreement and inversely. At the date of this Management Report, ONE has not informed the Group of its interest to implement this clause (see Chapter 4 of this Management Report).

Moreover, Morocco has a clearly affirmed policy in favor of the environment and renewable energy, thereby providing THEOLIA with a favorable framework for expanding its presence there. Hence the Group is monitoring the Moroccan market and analyzing various opportunities for expansion, in particular with regard to government calls for bids. As of the date of this Management Report, these opportunities are still in the initial prospecting stage, which does not justify including them in the Group's portfolio of projects under development.

THEOLIA in Brazil and India

With the various management changes occurring in 2010 have led to a reassessment of the Group's geographical positions in those countries identified as potential growth drivers.

THEOLIA in Brazil

Since THEOLIA acquired Natenco GmbH (renamed THEOLIA Naturenergien GmbH) in 2006, it has had a wind power development team working in Brazil. This country offers great potential for developing wind power.

As of December 31, 2010 the Group's portfolio of projects in Brazil totaled 80 MW in the development phase.

By the end of 2010, the Group conducted a detailed review of these projects as well as of the potential offered by the Brazilian market. The strategy applied to this country will be reviewed with an eye to a more significant share of projects held for its own account and/or setting up strategic partnerships in order to step up the Group's activity in this country.

THEOLIA in India

The Group is present in India through a company that was traditionally held in equal shares between THEOLIA (50%) and its local partner (50%). This company floated an equity issue on November 10, 2010 which apparently reduced the Group's stake to 23.9%.

The Group contests the validity of this capital increase, as it was not aware of it prior to its completion, in accordance with local law and intends to end this partnership. Nevertheless the terms for leaving this partnership were not fully defined as of the date of this Management Report.

India however remains a potential market for the Group.

Other countries

In 2009, the Group undertook a geographical refocusing of its activities. Hence, THEOLIA closed its businesses in the Czech Republic after it sold Natenco Sro on July 22, 2009 and it shut down its activities in Poland since it liquidated THEOLIA Polska in March 2011. The businesses in Spain, Greece and Croatia are being closed or disposed of.

In the long term, the Group may also establish itself in other markets with strong wind energy potential, subject to the criteria of stability, growth and regulatory visibility.

1.4 STRATEGY

Facing a liquidity crisis, the Group completed the sale of a significant portfolio of wind farms and projects in France and Germany during 2009 and the beginning of 2010.

The first half of 2010 was devoted to the Company's financial restructuring. The terms of the convertible bond issue were revised and a €60.5 million capital increase was conducted. Financial indebtedness was reduced significantly, shareholders' equity was bolstered and the cash position was increased.

As the Group's financial position improved it could redirect its expansion to the following areas:

- reinforcing the Group's positions in the main countries where it does business;
- boosting its operating performance; and
- implementing a strategy of co-investment.

In addition, THEOLIA continued to sell off or close its last non-wind power activities in order to focus on its wind power activities.

THEOLIA's global objective is to set up a profitable model for the Group.

Strengthening geographical positions

For each wind energy project or farm, the Group evaluates the opportunities to sell and decides whether to keep or sell the project or wind farm.

Selling a project or a wind farm enables reallocating resources to one or several more profitable projects.

Keeping a project or a wind farm increases the Group's dimension, so as to approach the size necessary for achieving profitability.

This selective strategy helps the Group to adapt to its financial condition and to maximize its return on investment.

THEOLIA's successful financial restructuring enabled it to reduce the pace of selling wind farms and projects starting in the second half of 2010. The Group's management wants to maintain this initiative and thereby increase the share of recurring revenue generated from the sale of electricity for own account.

In 2010, the Group continued to invest at a brisk pace while at the same time using a rigorous approach. It invested €41.8 million over the year in wind energy projects under development, in particular in Italy, Germany and in France. The Group's objective is to renew the momentum of its expansion through continued investment and to grow large enough to ensure its long-term profitability.

Improving operational performance

In order to maximize its yield and to reduce its risks, the Group took several initiatives in 2010 aimed at improving its operational performance:

- active cash management at the Group level;
- continued cost reduction at subsidiary and holding company levels;
- rationalized organizational structure and working methods;
- strengthened management control, in particular with projects; and
- fostered cross-functional exchanges of specific expertise among the subsidiaries.

These initiatives aim to make the Group more efficient and organized to better absorb an increased level of business at a constant size.

Implementing a strategy of co-investment

With the success of its financial restructuring, the Group has sufficient liquidity to provide equity for its projects now being completed i.e. having obtained a construction permit free of any recourse or under construction.

To speed up its medium and long-term expansion, and in particular to have the necessary equity to carry out the projects now in the preliminary development phases, the Group began a co-investment plan that would take the form of an investment vehicle specifically dedicated to a portion of its projects.

These additional financial resources would work to increase the Group's development and growth.

At the date this Management Report was published, the details for creating an investment vehicle have not been finalized.

Divestment of non strategic activities

In November 2008, the Group decided to dispose of non-wind assets, deemed to be non-strategic.

During fiscal years 2009 and 2010, many assets were disposed of or closed.

As of December 31, 2010, the last non-wind assets were:

- four companies from the Group's Environment division (Seres Environnement, Ecoval 30, Therbio and Ecoval Technology);
- a solar power station held in Germany; and
- an equity interest in ecolutions GmbH & Co. KGaA, which is active in developing solar power projects.

The strategies for the different disposal vary according to the assets and will be determined at different stages. For some, sales negotiations have already begun. For others, the Group is undertaking a restructuring in order to make the future disposal more favorable for the Group.

For additional information, please refer to paragraph 1.6 of this Management Report.

1.5 COMPETITIVE STRENGTHS

Focus on the wind energy sector

Many of the Group's competitors operate in several segments of renewable energy production: wind energy and photovoltaic solar for the most part as well as hydro, biomass, thermal production, co-generation based on fossil energies, biofuels, biogas, wave energy, etc.

THEOLIA concentrates its activity on onshore wind energy. The Company believes that the wind sector is the most advanced of the renewable energies (excluding hydro). It has a mature and reliable technology and a favorable regulatory environment in the countries where the Group operates. It has made significant technological progress over the past few years to make its wind energy equipment more reliable. At the same time, this has enabled it to lower the cost of its equipment.

The other energies account for an insignificant share of the Group's activities and are slated to be sold.

A rapidly growing market with attractive prospects

The growth observed in the wind energy market over the last few years has been especially robust and the prospects for expansion are considerable.

Wind energy is a resource of effective and reliable energy that contributes greatly to protecting the environment. It contributes to the energy independence of the countries that develop it and will soon have a significant place in the world's energy mix. People and public authorities have in general taken notice of this. The political will to develop renewable energies has led to adopting a legislative and regulatory stance favorable to renewable energy and to wind energy in particular.

Expertise across the wind energy sector value chain

THEOLIA is an integrated industrial operator. The Group's operational expertise covers the entire wind power sector value chain: site prospecting, project development, construction, and operation of wind farms.

This organization is a significant strength and serves as a gauge of the quality of the commissioned wind farms. THEOLIA is the only contact point for all of the stakeholders involved in every phase of project development. This provides better management of deadlines and guarantees that commitments will be honored. Problems with construction and operation are factored into the wind farms' design. The projects are fine tuned from the time they are identified up to their completion.

The Group's employees, the key to success

THEOLIA hires employees with a high degree of competence in each of their areas of expertise, be it technical, financial or legal, combined with an experienced vision of the wind energy market. The quality and experience of its human resources are constantly improving and ensure that the Group will retain the skills required to successfully complete projects within the planned timetables and budgetary constraints and to anticipate technical changes in a constantly changing sector.

1.6 NON-WIND ACTIVITIES

Historically, THEOLIA carried out its business in different sectors of energy production (apart from wind energy) and environmental businesses.

At the end of 2008, the Group decided to concentrate on its wind activities and began the disposal or restructuring of all its non-wind assets. During fiscal years 2009 and 2010, many assets were disposed of or closed.

The remaining non-wind activities now only make a residual contribution to consolidated revenue.

Equity interests sold or dissolved in FY 2010

SAPE, SAEE and CS2M

Following the disposal, in July 2009, of assets consisting of peaking units, SAPE and SAEE, THEOLIA proceeded in 2010 with the dissolution of their two legal structures as well as their holding company, CS2M.

Nemeau

Nemeau sold its business assets which included the Nemeau 450 prototype along with the matching patents on April 26, 2010. Its legal structure was then dissolved.

Partenaires Environnement

On November 10, 2010, Therbio sold its 17% equity interest in Partenaires Environnement, a company specialized in the design of waste management and treatment facilities.

Equity interests being sold or restructured before disposal

France Environmental Unit

The France Environmental Unit is currently composed of the structures described below:

Seres Environnement	Seres Environnement was formed in June 2006 following THEOLIA's takeover of Seres SA at the Aix-en-Provence Commercial Court. It is active in the field of measuring instruments for the water and air markets. The company is being restructured to make its disposal more favorable for the Group. It reported revenue of €5.7 million in 2010.
Ecoval Technology SAS	Ecoval Technology, which was formed in December 2004 following THEOLIA's acquisition of A+O at the Nanterre Commercial Court, is in the business of the design, partial or complete realization, turnkey construction and sale of units providing environmental solutions on behalf of local authorities and manufacturers. The company is dormant.
Therbio	Therbio (previously Sodetrex) is the controlling holding company of Ecoval 30.
Ecoval 30 SA	Ecoval 30, a company set up in 2001, is specialized in the treatment of liquid and solid waste. Its factory is based in Beaucaire, France and receives waste collected by other companies, separates it and isolates the target fermented matter in order to compost it with a view to its resale. It reported revenue of €4.5 million in 2010.

ecolutions GmbH & Co. KGaA

With a 35.21% equity stake, THEOLIA is the main shareholder of the private German company, ecolutions GmbH & Co. KGaA. In 2009, this company redirected its business to developing renewable energy projects, solar in particular.

Given its particular legal form (KGaA), which is similar to a partnership limited by shares managed by a "managing partner", the shareholders' rights and their influence in the company's management are very limited.

THEOLIA believes that this structure does not allow for value creation through growth for the company's shareholders. In order to remedy this situation, THEOLIA would like to see the rules of good corporate governance applied to managing the company and to developing its plan in the framework of a strategy approved by the shareholders. THEOLIA does not exclude disposing of its equity interests depending on how this situation evolves and market conditions.

Solar power station in Germany

The Group operates a solar power station located in Germany with a 2.9 MWp capacity which it entirely developed and built. The sale of this power station was concluded late in 2007 but the buyer did not obtain financing and the power station was taken over by the Group in late 2008. This power station is for sale. It reported revenue of €1.4 million in 2010.

2. THE GROUP'S BUSINESS ACTIVITY IN 2010

The list of subsidiaries and ventures constituting the consolidated Group, along with the percentage of interests and control, can be found at footnote 33 of the schedules to the consolidated accounts for the year ended December 31, 2010.

2.1 HIGHLIGHTS OF THE FINANCIAL YEAR

2.1.1. Financial restructuring of the Company

On December 29, 2009, THEOLIA announced its plan to restructure its convertible bond and to carry out a capital increase to support its development program for the years to come.

This plan was subject to three conditions:

- approval by the General Meeting of Bondholders of the change in the terms of the convertible bond;
- approval by the Extraordinary Shareholders' Meeting of the change in the terms of the convertible bond; and
- completion of a capital increase.

These three conditions were met respectively on February 18, March 19 and July 20, 2010, ensuring the successful financial restructuring of the Company.

2.1.1.1 Delivery of the fairness opinion by the independent financial expert

The Board of Directors appointed Ricol Lasteyrie as the independent financial expert to examine the financial terms of the proposed restructuring plan for the OCEANEs and to consider its fairness with respect to shareholders and bondholders.

Ricol Lasteyrie wrote its final report in January 2010 concluding that the proposed financial structuring was fair and that the plan was in the interest of all the parties concerned, including THEOLIA, its shareholders and bondholders.

2.1.1.2 Bondholders' and shareholders' General Meetings

Those present and represented at the bondholders' General Meeting on February 18, 2010 unanimously voted in favor of the proposed restructuring.

On March 19, 2010, the combined shareholders' meeting approved all the resolutions concerning the proposed restructuring plan by a majority of more than 99%.

2.1.1.3 Capital increase

On June 24, 2010 the Company initiated a capital increase for 60,463,059 euros retaining the preferential subscription right. The subscription period was opened from June 25, 2010 through July 7, 2010. The capital increase was subscribed in full. THEOLIA issued 60,463,059 new ordinary shares at a price per share of one euro, corresponding to total gross income of 60,463,059 euros.

This successful capital increase completed the Company's financial restructuring.

This financial restructuring significantly improved THEOLIA's financial position by reinforcing its shareholders' equity, increasing its cash and reducing its debt, thus reenergizing its development.

2.1.1.4 Change in the terms of the convertible bonds

Following the capital increase, the change in the terms of the OCEANEs came into force on July 20, 2010, the day of the settlement delivery of the capital increase. The change in the ratio for conversion of the OCEANEs came into force on July 21, 2010.

The principal new terms of the OCEANEs are as follows:

A. Redemption and/or buyback of the OCEANEs

a. Partial early redemption on July 22, 2010

A partial early redemption of the OCEANEs was made on July 22, 2010 for 1.77 euro per OCEANE (and 0.02 euro of accrued interest), i.e. a total of 20.4 million euros (plus 230,769 euros of accrued interest).

After this partial early redemption, the initial par value of the OCEANEs of 20.80 euros was reduced to 19.03 euros (20.80 euros – 1.77 euro).

b. Early buyback if requested by the bondholders on January 1, 2015

The option granted to the bondholders to apply for the total or partial early buyback of their OCEANEs was postponed from January 1, 2012 to January 1, 2015. The early buyback price was reduced from 21.94 euros to 15.29 euros per OCEANE.

Under the new terms, any bondholder may solely at his or her discretion apply for the Company to buy back some or all of its OCEANES on January 1, 2015 in cash at the unit price of 15.29 euros per OCEANE.

c. Clauses triggering early buyback

The bondholders may also request the buyback of some or all of their OCEANES for 15.29 euros per OCEANE plus accrued interest, in the event the Company informs them of a change in the control of the Company by means of a notice published in the BALO.

Other situations, such as default or delisting, explained in the offering circular trigger the payment in full of the OCEANES at the price of 20.17 euros per OCEANE, plus accrued interest.

d. Early redemption by the Company

The Company reserves the right to redeem all the outstanding OCEANES at any time from January 1, 2012 until December 31, 2014 without any limitation on price or quantity, either via buybacks on or off the stock market, or via takeover bids or exchange offers, at the price of 20.17 euros per OCEANE plus accrued interest, under certain conditions stipulated in the offering circular.

e. Normal redemption (maturity) of the OCEANEs on January 1, 2041

Unless they have been redeemed or repurchased in advance, exchanged or converted, any outstanding OCEANES remaining on January 1, 2041, shall be redeemed in full at the price of 20.77 euros per OCEANE. The normal redemption of the OCEANEs was initially slated for January 1, 2014 at the price of 22.54 euros per OCEANE.

B. Converting and/or exchanging the OCEANEs for shares

The OCEANES can be converted into new shares or exchanged for outstanding shares in the Company at any time until the seventh business day before December 31, 2014.

One OCEANE can be converted into 8.64 shares up until the seventh business day before December 31, 2013.

One OCEANE can be converted into 6.92 shares from January 1, 2014 until the seventh business day before December 31, 2014.

The OCEANEs may no longer be converted on or after January 1, 2015.

The conversion ratio was initially one OCEANE to one share over the entire duration of the convertible bond.

C. Interest

OCEANEs which have not been converted, repurchased, exchanged or redeemed are entitled to the payment of accrued interest annually applied to the new par value of the OCEANEs i.e. 19.03 euros, as follows:

- From July 20, 2010 to December 31, 2014 at an annual rate of 2.7%; and
- From January 1, 2015 at an annual rate of 0.1%.

The interest was initially 2% a year applied to the initial par value of the OCEANEs, i.e. 20.8 euros over the entire period of the convertible bond.

In the event of a conversion, no interest is paid to bondholders for the period between the last interest payment date and the delivery date of the shares.

For more information on changes in the terms of the OCEANEs, please refer to the Offering Circular dated June 23, 2010 with approval No. 10-198, available on the Company website.

2.1.2 The Group's operational progress

THEOLIA made considerable operational progress in the second half of 2010, mainly in France and Italy.

Construction began on the Gargouilles wind farm in the *Eure et Loire* department in France, in September 2010. This farm comprises eight wind turbines with nominal capacity of 2.3 MW each, i.e. a total capacity of 18.4 MW. The commissioning of this wind farm is planned for the end of 2011.

The purchasing process for the turbines began with a project for six wind turbines in the *Somme* department in France. The nominal capacity planned for each wind turbine is 2.5 MW, for a farm with a total capacity of 15 MW. Construction will begin in 2011.

In September 2010 a construction permit free of third party rights was obtained for a project for six wind turbines in the center of the *Haute-Marne* department in France.

The validity of the building permit for the Giuggianello wind farm project with a 24 MW capacity in the Puglia region in Italy was confirmed. The project comprises 12 wind turbines with a nominal capacity of 2 MW each.

The Group's greatest operational advance in 2010 remains the commissioning of its first wind farm in Italy. In October 2010, the Group commissioned the Giunchetto wind farm with a total installed capacity of 30 MW. The wind farm is located in the Enna province in Sicily and comprises 35 wind turbines. THEOLIA set up non-recourse financing for the project in January 2010 after construction had started in the second-half of 2009.

THEOLIA holds 51% of this farm. The net installed capacity for the Group is therefore 15 MW.

This project means the Group has an operational capacity for development and the production of electricity in four countries: France, Germany, Morocco and Italy.

2.1.3 Reorganization of the Board of Directors and the General Management

Numerous changes were made inside the Company's Board of Directors and General Management during the first nine months of 2010 at the same time as the financial restructuring.

On February 9, 2010, Éric Peugeot, the chairman of THEOLIA's Board of Directors was also appointed Chief Executive Officer. He replaces Marc van't Noordende who took that position in September 2008.

On March 19, 2010, the combined Shareholders' General Meeting appointed three new directors recommended by a concert holding 9.08% of the share capital: Michel Meeus (a member of the concert), Fady Khallouf and Gérard Creuzet. At the request of a shareholder, the meeting also ended Marc van't Noordende's term of office as a director.

On May 20, 2010, Eric Peugeot withdrew from the General Management and proposed the appointment of Fady Khallouf as director to replace him. The Board of Directors unanimously appointed Fady Khallouf as THEOLIA's Chief Executive Officer with Eric Peugeot remaining as the Chairman of the Board of Directors.

On July 26, 2010, Eric Peugeot resigned as Chairman and as a member of the Company's Board of Directors, finding that his task was completed as the Company had regained its capacity to create value. Michel Meeus, a director and a member of the concert, was appointed Chairman of the Board of Directors. The Board co-opted David Fitoussi as a director on the recommendation of its new Chairman.

Three directors tendered their resignations in September 2010: Louis Ferran, Gérard Creuzet and Philippe Leroy. Six directors now sit on the Board.

Michel Meeus, Chairman of THEOLIA's Board of Directors, states: "with a strengthened General Management and Board of Directors, THEOLIA is now in a position to continue its development with a strategy based on value creation for its shareholders and to meet its future challenges."

2.1.4 Sale of wind farms

In May 2010, THEOLIA's German subsidiary, THEOLIA Naturenergien GmbH, completed the sale of a 55.5 MW wind farm in operation located in the Saxe-Anhalt region in Germany to Dortmunder Energie - und Wasserversorgung GmbH ("DEW21", Dortmund, Germany). THEOLIA Naturenergien GmbH will be responsible for all the technical and commercial management during the life of the wind farm, which has been in operation since the beginning of 2006.

Overall, the Group sold 72 MW in operation in Germany in 2010, compared to 234 MW of wind farms and projects sold in 2009.

The majority of the sales in 2010 were made during the first six months, i.e. before the Company's financial restructuring. Owing to the Group's new financial position, it was able to cut back on its disposals during the second half of the year and also increase the share of recurring revenue from the sale of electricity for its own account.

2.1.5 Conversion of bonds into shares

The financial restructuring modified the terms of the OCEANES and set up a new share allotment ratio whereby one bond can be converted into 8.64 shares up to the seventh business day preceding December 31, 2013 and into 6.91 shares from January 1, 2014 to the seventh business day preceding December 31, 2014.

Therefore, between July 20, 2010, the date the new terms of the OCEANEs took effect, and December 31, 2010, 1,102,070 OCEANEs were converted, resulting in the issuance of 9,521,016 new shares.

On January 1, 2015, converting these 1,102,070 OCEANEs into shares reduced the maximum amount to be repaid on request by 16.9 million euros.

2.2 PRESENTATION OF FINANCIAL INFORMATION

2.2.1 Impact of applying certain IFRS and IAS standards

2.2.1.1 IAS 16

Since September 1, 2009, the Group's business has been devoted to developing, building, operating and selling wind farms.

Wind farm sales are an integral part of the Group's business; they must be recognized as income from ordinary activities.

Pursuant to IAS 16, the implementation of this accounting method does not represent a change of method because it applies to transactions that are substantially different from those that have arisen previously. The change applies to the Group as from September 1, 2009 and has two main consequences from an accounting standpoint:

- any sale of a wind farm or wind project, formerly classified as a non current asset is recorded as revenue generated from ordinary activities. Previously, any such sale was analyzed as a capital gain or loss; and,
- a revision of amortization plans since the assets must be amortized over a new utilization period after calculation of a new residual value:
    - The amortization period is shorter because it corresponds to the holding period. The amortization period for farms in operation is now two to four years, whereas the previous amortization was done over a period of 15 to 20 years;
    - The residual value previously used was zero and corresponded to the end of life of the farm. The new residual value corresponds to the estimated sale value of the farm and is hence significant. Therefore the amortization base is reduced to the estimated residual value.

The observation of a significant residual value and a shorter period of amortization result in a decrease in amortization expenses.

At every closing, the amortization expense for the farms is adjusted based on the price and the resale date estimated by the Group.

2.2.1.2 IAS 36

Under IAS 36 "Impairment of Assets", assets with an indefinite period of use, such as goodwill, certain intangible assets and assets under construction are not depreciated but are subject to impairment tests conducted:

- annually, at the reporting date for each financial year; or
- more frequently, if there are indications of depreciation.

The recovery value of an asset, which is used to calculate the depreciation or amortization of the asset, corresponds to the highest of the following amounts:

- the fair value of the asset, as determined by reference to market prices achieved in comparable transactions in an active market assuming the existence of willing buyers and sellers, less the costs of sale; or
- its useful value, as determined by the discounted cash flows expected to arise from the asset during its useful life.

This definition of recovery value applies equally to all assets falling within the scope of IAS 36, whether they are held for use or intended for sale (without satisfying all the conditions of classification as assets held for sale under IFRS 5, however).

The Group believes that a fair value can in some cases be determined based on market prices. In that those values are highly volatile depending on the buyer's profile, using the principle of prudence, the Group estimates the useful value primarily by using the discounted cash flow method to determine the recovery value of its assets.

2.2.1.3 IAS 39

Pursuant to IAS 39.40, renegotiating a debt involving a substantial change to the contract is similar to extinguishing the debt.

The Company believes this rule applies to the restructuring conducted during 2010, because:

- the changes made in the initial OCEANE issue contract are considered significant. In particular, amending the maturity of the instrument, amending the date and the exercise value of the redemption option, and the early buyback options for the bearers, as well as amending the share allotment ratio significantly change the terms of the OCEANEs;
- the Company conducted the 10% test on changes in cash flow before and after renegotiation as stipulated under IAS 39. AG62 "under paragraph 40", and the test confirmed that there were indeed substantial changes.

Therefore, the Company reversed the recognition of its convertible debt to treat both the partial early redemption and the change in the terms of the contract for the OCEANEs issue.

Therefore, from an accounting standpoint, the effect of the restructuring carried out in 2010 on net income, on the level of indebtedness and on the Group's shareholders' equity' can be broken down into three steps to take place simultaneously on the settlement-delivery date of the capital increase:

- partial early redemption of the face amount of the OCEANEs;
- reversal of the recognition of the debt under the OCEANEs with current terms; and
- recognition of the debt under the OCEANEs with amended terms.

2.2.1.4 IAS 8

- **Presentation of revenue**

Previously, the production of electricity from wind farms managed for third parties had been recorded as revenue based on the volume produced over the period. It had been incorrectly assumed that the Group was not acting as agent in these transactions, especially because the contract for the sale of electricity to the grid operator had been set up between the Group and the end client and did not involve the owner of the asset managed by the Group.

During 2010 an in-depth review of these cases and the contracts between the German subsidiary in question and its clients has been carried out by the Group, notably in reference to paragraph 21 of the notes of the IAS 18 standard added by the IASB in 2009.

On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

- **Intangible assets**

Upon the acquisition of the company Ventura (since renamed THEOLIA France) in 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the takeover date, the total number of MW evaluated was equal to 104 MW. During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. During the efforts to close the 2010 financial accounts, a recording error had been identified. Following these transactions, the related assets should have been derecognized and should have an impact on the results from the disposal of these projects or should have been amortized. This leads to a restatement of the comparative information related to the period ending December 31, 2009 in application of the IAS 8 standard "Accounting policies, changes of accounting estimates and errors".

2.2.1.5 IFRS 5

Since its decision to dispose of its non-wind activities in November 2008, the Group has applied IFRS 5 "Non-current assets held for sale and discontinued activities" to its consolidated financial statements since the year ended December 31, 2008.

The main consequences of this treatment are listed below.

- for each year concerned, transactions related to the Environment division and some other non-wind activities are recorded under "Income net of tax from discontinued operations or operations in the process of sale"; and
- assets and liabilities of the Environment division and of some other non-wind activities are recorded under "Assets/Liabilities of discontinued operations or operations in the process of sale." The asset values were impaired on the basis of probable sale prices.

The accounts at December 31, 2009 continue to treat as assets and liabilities available for sale any non-wind activities already classified as such at year-end 2009 that have not yet been sold. In 2010, the Group did not finalize the sale of all its non-wind activities, given the economic context and the changes made in the Group's General Management during the first half of 2010. The Group is actively pursuing the disposal plan for those activities.

2.2.2 Sector information

2.2.2.1 Business sectors

Since January 1, 2009, the application date of IFRS 8, the Group has redefined its five business sectors (see notes 2.21 and 7 to the Group's consolidated financial statements for the year ended December 31, 2010), three of which concern its wind activity, as indicated below:

- the Sale of electricity for own account activity corresponds to the sale of the electricity produced by the wind farms owned by the Group;
- the Development, construction, sale activity includes development and construction completed for third parties, as well as sales of wind projects and wind farms to third parties.
- the Operation activity includes the operation of wind farms for third parties as well as the sale of electricity produced by wind farms operated but not owned by the Group.
- the Non-wind activity includes non-strategic assets held for sale in keeping with the Group's decision to focus on its wind activity; and
- the Corporate activity includes operations by the parent company and its sub-holding companies.

2.2.2.2 Geographical segments

In addition to the information presented by business sector, revenues and EBITDA are also presented by geographical segment.

The Group is active in four major markets (Germany, France, Italy and Morocco) and is carving out a position in some emerging countries, mainly Brazil.

The geographical segments selected for the presentation of sector information correspond to the regions where our assets are located, i.e.:

- France;
- Germany,
- Italy; and

- Rest of the World.

2.2.3 Performance indicators

The following sections present un-audited indicators used by Management to monitor the Group's activities and assess its performance and its cash position.

2.2.3.1 EBITDA

EBITDA is not governed by IFRS standards. It is an additional indicator of the performance, the profitability and the liquidity of the Group; however, it must not be considered an alternative to current operating income, or to any other IFRS compliant performance indicator or to the liquidity indicator "operating cash flow". EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of future results.

There are no generally accepted accounting principles governing the calculation of EBITDA. Criteria for defining it can also vary from one company to another. However, EBITDA is presented in this Management Report because it is frequently used by financial analysts, investors and other market participants in evaluating companies in the renewable energy industry.

It is calculated by adding or subtracting data directly from the Group's consolidated financial statements. Specifically, the Group calculates its EBITDA (earnings before interest, taxes, depreciation and amortization) by adding the following items to current operating income:

- depreciation and amortization; and
- risk provisions and non operating expenses, in each case determined in accordance with IFRS.

2.2.3.2 Cash

The Group's cash consists of a blocked portion, a portion "reserved" for Special purpose vehicles (SPV) and lastly, an available or free portion (see note 19 to the Group's consolidated financial statements for the year ended December 31, 2010).

The blocked portion corresponds to the cash which, under the financing agreements, the SPV may neither return to their shareholders nor use freely for their current operations, which usually refer to sums pledged to banks.

Under the financing terms, the "reserved" portion may be used freely by the SPV for their operating expenses, but may not be returned to the French (THEOLIA France and THEOLIA SA), German (THEOLIA Naturenergien GmbH) or Italian (Maestrale Green Energy) holding companies.

Free cash may be used at any time by the Group.

Free cash is not an indicator governed by IFRS standards and must not be considered an alternative to the equivalent cash indicators calculated in accordance with IFRS standards to evaluate the Group's cash position. Free cash may not be indicative of the Group's historical financial condition, nor is it meant to be predictive of its future position.

Calculating it is not based on any generally accepted accounting principle. The criteria for defining it can vary from one company to another. However, free cash is presented because it shows the Group's ability to meet its short-term obligations.

2.2.4 *Critical accounting principles*

THEOLIA's consolidated financial statements are prepared in accordance with the IFRS standards as adopted by the European Union.

Preparation of the financial statements requires the Management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingencies at the date of the Group's financial statements, and the reported amounts of income and expenses for the relevant accounting periods. Management bases these estimates on experience and assumptions that it believes to be reasonable under the circumstances. Management evaluates these estimates on an ongoing basis and has submitted them to the Company's Audit Committee.

The Group has identified the following critical accounting policies as requiring management to make the most significant estimates and judgments when preparing the consolidated financial statements:

- valuation of goodwill and of non-current assets according to impairment tests (IAS 36);
- estimates of the residual value of operational wind farms;
- effect of restructuring the convertible bond (IAS 39); and
- qualitative analysis (definition of the level of risk, probability of success in commissioning various wind projects and obtaining the necessary authorizations for operation) of project inventory.

For further details in this respect, please refer to notes 2.8 and 3 to the Group's consolidated financial statements for the year ended December 31, 2010.

The Group considers an accounting policy to be "critical" if it requires Management to make an accounting estimate based on assumptions that are uncertain at the time the estimate is made, and if the reasonable use of different estimates in the current period or changes in the accounting estimates that are reasonably likely to occur from period to period would have a material impact on the Group's financial presentation. The effects of such estimates on the application of the accounting principles and the sensitivity of the Group's financial results to changes in the underlying conditions and assumptions should be taken into consideration when the Group's financial statements are reviewed.

2.3 OPERATING INCOME

Please note that the revenue figures published for 2009 and 2010 have been restated for the revenue coming from the sale of electricity from wind farms owned by third parties who have contracts offering no margin guarantees. In 2010, the reported revenue from the Operation activity has been reduced by 33.3 million euros and the published revenue from the Operation activity in 2009 has been reduced by 34.2 million euros.

In addition, the reported 2009 financial statements have been restated in line with the IAS 8 standard following the derecognition of the assets sold over 2009 and before, having an impact on the balance sheet and income statement reported as of December 31, 2009 (see note 2.1. of the notes to the consolidated financial statements for the year ending December 31, 2010).

The Group's consolidated financial statements were reviewed by the Audit Committee and the Board of Directors and then closed by the Board of Directors in its April 18, 2011 meeting in the presence of the Statutory Auditors.

The table below shows excerpts from the Group's consolidated income statements for the years ended 2009 and 2010.

Income statement (selected information) (in thousands of euros)	Year ended December 31		
	2010	2009 (restated)	2009 (recorded)
Revenue	**154,542 (1)**	**294,380 (1)**	**328,593**
EBITDA (2)	**3,438**	**45,479**	**49,612**
Amortization and non-operating provisions	(23,116)	(22,110)	(21,801)
Current operating income	**(19,678)**	**23,369**	**27,811**
Other non-current income and expenses	(1,807)	(18,56)	(140)
Impairment	(12,998)	4,509	4,509
Operating income	**(34,483)**	**26,022**	**32,180**
Cost of net financial debt	(24,095)	(28,530)	(28,530)
Other financial income and expenses	69,721	(2,279)	(2,279)
Financial income (expense)	**45,626**	**(30,809)**	**(30,809)**
Net income from continued activities	6,473	(15,737)	(11,662)
Net income from activities held for sale	(1,480)	(9,439)	(9,439)
Net income (expense)	**4,993**	**(25,176)**	**(21,101)**
o/w Group share	**5,857**	**(24,840)**	**(20,765)**
o/w minority share	(865)	(335)	(335)

(1) Restatement of revenue generated from the sale of electricity from wind farms owned by third parties who have contracts offering no guaranteed margins.

(2) Un-audited non IFRS indicator.

2.3.1 Consolidated revenues

Consolidated revenue fell by 48% between 2009 and 2010, dropping from €294.4 million for the year ended December 31, 2009 to €154.5 million for the year ended December 31, 2010.

This decline reflects the change in the Group's position.

In fact, the major disposal plan implemented in 2009 to restore the Group's cash position was a major source of revenue for the Development, construction, sale activity. In 2009, the Group sold 234 MW of wind farms and projects compared with only 72 MW in 2010.

Due to the capital increase and the significant reduction of its debt after the financial restructuring completed in July 2010, the Group was able to reduce the pace of its disposals in the second half of 2010 and to increase the share of recurring revenue from the sale of electricity. As a result, consolidated revenue was down in 2010, but it already reflects a rebalancing of the revenue from each activity. This trend is expected to continue going forward with the future commissioning of wind farms.

Applying IAS 16 (see paragraph 2.2.1.1 of this Management Report) had a positive effect of €65 million on 2009 revenue. However, if it had been applied since January 1, 2009, it would have led to the recognition of additional revenue of €3.2 million for 2009.

2.3.2 Consolidated EBITDA

The Group uses the following formula to calculate its EBITDA (see paragraph 2.2.3.1 of this Management Report):

EBITDA = current operating income + amortization expense + provisions for non-operating risks.

The following table sets forth the Group's consolidated EBITDA for the last two financial years:

(in thousands of euros)	12/31/2010	12/31/2009 (restated)	12/31/2009 (recorded)
EBITDA	3,438	45,479	49,612
Net allocations to depreciation and amortization	(23,116)	(22,110)	(21,801)
Current operating income	(19,678)	23,369	27,811
Other non-current income and expenses	(1,807)	(1,856)	(140)
Impairment	(12,998)	4,509	4,509
Operating income	(34,483)	26,022	32,180

The Group's EBITDA amounted to €3.4 million in 2010 compared with €45.5 million for 2009.

Consolidated EBITDA recorded in 2009 benefited from the positive effect of reversing two significant provisions in the Corporate activity for a total amount of €25 million.

The Group's EBITDA in 2010 was driven by the Sale of electricity for own account activity, which reached a 66% margin rate on revenue.

This indicator was nonetheless impacted by four negative factors:

- the drop in EBITDA from the Sale of electricity for own account activity, mainly due to the disposals of wind farms carried out in 2009 and early 2010 that reduced the Group's installed capacity for own account;
- the absence of sufficient margins in the Development, construction, sale activity to absorb the structure costs;
- the provision for old debts related to the Operation activity for an amount of €9 million, the Group taking into consideration a risk of non collection; and
- the negative impact from the sale of a 39% stake of the Italian wind farm Giunchetto for an amount of 3.1 million euros, notably due to the partial derecognition of the goodwill related to this wind farm.

2.3.3 Current operating income

The Group's current operating income showed a loss of €19.7 million for 2010, compared with a profit of €23.4 million for the prior year.

Net depreciation and amortization recorded in 2010 amounted to €23.1 million compared with €22.1 million for 2009.

The depreciations recorded by geographic zone in 2010 break down as follows (in millions of euros):

- Germany (12.9)
- France (0.6)
- Rest of the World (3.4)

The Group also recognized a certain number of items affecting current operating income for 2010 for €5.8 million distributed as follows (in millions of euros):

- provision for future losses on certain wind farm management contracts for third parties (4.7)
- other net income and expenses (1.1)

2.3.4 Operating income

The Group's operating income showed a loss of €34.5 million in 2010 compared with a profit of €26 million in 2009.

Pursuant to IAS 36 (see paragraph 2.2.1.2 of this Management Report), the Group performs impairment tests to make certain that non-amortizable assets are valued correctly. In 2010, the tests were extended to all amortizable assets (and inventories) owing to indications of a loss in value from a market capitalization below shareholders' equity.

In 2010, the Group recognized the following impairments for a total sum of €13 million (in millions of euros):

• impairment of goodwill in Germany	(11.0)
• impairment of goodwill in Italy	(0.6)
• impairment of projects included in the portfolio in France	(1.8)
• impairment of assets in Germany	(0.7)
• various reversals	1.1

In particular, the Group booked a substantial impairment of goodwill in the Development, construction, sale activity in Germany (for €11 million). In fact, the Group has scaled down it target for wind farm disposals in Germany in its "trading" activity, THEOLIA Naturenergien's historic business, to levels that seem more in line with market conditions. The valuation calculation made using the discounted future cash flow method showed an impairment on the goodwill initially recognized.

Lastly, under "Other non-current income and expenses" the Group recorded an expense related to the settlement agreement concluded with the former general management for €1.4 million.

2.3.5 Financial income

The Group's financial income showed €45.6 million in income in 2010 compared with a loss of €30.8 million in 2009. This change reflects mainly the impact of the financial restructuring carried out in 2010 (see paragraph 2.1.1 of this Management Report).

The financial income posted in 2010 includes the following key items (in millions of euros):

• a profit from reversing the recognition of the convertible bond	80.7
• the annual interest expense calculated according to the effective interest rate of the convertible bond	(13.9)

pursuant to the IFRS in this area (see note 23.2 of the notes to the consolidated financial statements for the year ended December 31, 2010)

• an interest expense related to loans of operational farms	(8.1)
o/w *France*	*(3.4)*
Germany	*(4.0)*
Italy	*(0.5)*
Morocco	*(0.2)*
• the costs related to the restructuring of the convertible bond	(5.7)
• the change in the fair value of the interest rate risk hedging instruments	(2.5)

Pursuant to IAS 39 (see paragraph 2.2.1.3 of this Management Report), renegotiating a debt involving a substantial amendment to the contract is considered as extinguishing the debt. The value of the debt for the convertible bond remaining on the balance sheet after partial early redemption of the face value is reversed on the books based on the market value of the convertible bond. Therefore, the total reversal of the debt resulted in the recognition of income of €80.7 million.

2.3.6 Net income

Income net of tax from activities discontinued or in the process of sale, grouping together the Group's non-wind companies concerned by the application of IFRS 5 (see paragraph 2.2.1.5 of this Management Report) shows a loss of €1.5 million in 2010, compared with a loss of €9.4 million in 2009.

Net income of the consolidated accounts for 2010 is a profit of €5 million, including a profit of €5.9 million of net income Group share.

In 2009, consolidated net income showed a loss of €25.2 million, including a loss of €24.8 million of net income Group share.

In all, exceptional income of €80.7 million, recorded after the renegotiation of the terms of the convertible bond offset several factors that had a negative impact on performance:

- the reduction in installed capacity following the disposals made in 2009 and early 2010 reduced the performance of the Sale of electricity for own account activity;
- the reduction in the pace of disposals in the second half of 2010 reduced the performance of the Development, construction and sale activity, but in the future it will have helped to maintain the basis for the performance of the Sale of electricity for own account activity; and
- the implementation of impairment tests resulted in the recognition of impairments for a total of €13 million.

2.4 SECTOR INFORMATION

2.4.1 Consolidated revenues by business sector

The table below shows the Group's revenues by business sector for each period indicated:

Revenue by business sector (1) (in thousands of euros)	Year ended December 31			
	2010 (restated) (2)	2010 (recorded)	2009 (restated) (2)	2009 (recorded)
Sale of electricity for own account	37,537	37,537	51,918	51,918
Development, construction, sale	110,640	110,640	326,465	326,465
Operation	4,962	38,217	4,286	38,499
Non wind activity	1,403	1,403	1,710	1,710
TOTAL	**154,542**	**187,796**	**294,380**	**328,593**

(1) The Corporate sector does not generate any revenues and is therefore not presented in this table.
(2) Restatement of revenue generated from the sale of electricity from wind farms owned by third parties who have contracts offering no guaranteed margins.

Revenue – Sale of electricity for own account

Revenues from the Sale of electricity for own account activity include payments made to the Group by the buyers of the electricity produced by the operational wind farms owned by the Group in France, Germany, Morocco and Italy (see paragraph 1.1 of this Management Report).

Revenue from the Sale of electricity for own account activity represents 20% of total revenue for the year ended December 31, 2010. It amounts to €37.5 million in 2010, down 28% from 2009. This decline is due mainly to income from disposals of owned farms in 2009 and early 2010.

The Group's installed capacity for own account rose from 322 MW on December 31, 2009 to 283 MW on December 31, 2010. During 2010, the Group sold 72 MW in operation in Germany, mainly in the first half of the year. In October 2010, THEOLIA commissioned its Giunchetto wind farm located in Italy with a net capacity for the Group of 15 MW.

Revenue Development, construction, sale

Revenue from the Development, construction, sale activity includes income from the sale of wind projects or wind farms in operation, as well as billing for development and construction services for third parties (see paragraph 1.1 of this Management Report).

Revenue from the Development, construction, sale activity represents 59% of total revenue for the year ended December 31, 2010. It amounts to €110.6 million, down 53%. In 2009, the Group sold 234 MW of wind farms and projects compared with only 72 MW in 2010. It should be noted that revenues from this activity also include for 2010 the sale of an inventory of turbines for €4.3 million, and billing for construction services for third parties in France for €3.6 million.

Revenue Operation

Revenue from the Operation activity includes management fees for some wind farms operated for third parties as well as, for a limited number of wind farms, the proceeds from the sale of the electricity produced by other wind farms operated for third parties under service contracts.

Revenue from the Operation activity accounts for 3% of total revenue for the year ended December 31, 2010. It amounts to €5 million versus €4.3 million in 2009. This increase is the result of the increase in the volume of the management fees.

The installed capacity managed for third parties rose from 458 MW at December 31, 2009 to 586 MW at December 31, 2010 following the commissioning of three wind farms for third parties in France with a total capacity of 49 MW, as well as the ongoing operation of farms sold to third parties in Germany.

Revenues Non-wind activity

Revenues from non-wind activity include mainly the revenue generated by the sale of the electricity produced by a solar power plant in Germany.

In 2010, non-wind activity generated revenues of €1.4 million from the solar farm located in Germany.

2.4.2 Consolidated revenues by geographical segment

The following table sets forth the Group's revenues by geographical segment for each of the periods indicated:

Revenue by geographical segment (in thousands of euros)	Year ended December 31		
	2010 (restated) (1)	2009 (restated) (1)	2009 (recorded)
France	15,461	51,747	51,747
Germany	130,775	236,251	270,463
Italy	1,104	-	-
Rest of the world	7,201	6,382	6,382
TOTAL	**154,542**	**294,380**	**328,593**

(1) Restatement of revenue generated from the sale of electricity from wind farms owned by third parties who have contracts offering no guaranteed margins.

France

Revenue for France represents 10% of total revenue for the year ended December 31, 2010. It includes mainly the Sale of electricity for own account, as well as billing for construction services for third parties (Development, construction, sale activity) for €3.6 million. Revenues for France fell by €36.3 million or 70.1% compared with the previous year, settling at €15.5 million for the year ended December 31, 2010, down from €51.7 million for the year ended December 31, 2009. This decline is due mainly to the reduced pace of disposals of wind farms and projects in 2010 at the Group level, which led to the lack of sales of wind farms and projects in France during the year.

Germany

Revenue for Germany represents 85% of total revenue for the year ended December 31, 2010. It comes mainly from the sale of 72 MW in Germany during 2010, but also from Sale of electricity for own account and for third parties. Revenue for Germany fell by €105.5 million, or 46%, settling at €130.8 million for the year ended December 31, 2010, compared with €236.3 million for the year ended December 31, 2009. This decline is due mainly to the reduced pace of disposals of wind farms and projects in 2010 at the Group level, particularly in Germany.

Italy

During 2010, the Group commissioned its first wind farm in Italy. At December 31, 2010, the Group owned 51% of that wind farm. Hence for the first time, the Group posted revenues in Italy, from the Sale of electricity for own account. This revenue was recorded between August and December 2010. The full year effect of that commissioning will be manifest in 2011.

Rest of the World

Revenue for the rest of the world represents 4% of total revenue for the year ended December 31, 2010. It includes exclusively the Sale of electricity for own account produced by the 50.4 MW wind farm operated by the Group in Morocco. The electricity produced is sold to the national electricity supplier, the purchase price of which is defined under contract over several financial years. Revenue for the rest of the world rose by €0.8 million, or 12.8%, settling at €7.2 million for the year ended December 31, 2010, compared with €6.4 million for the year ended December 31, 2009. This increase is due mainly to the result of favorable weather conditions in Morocco in 2010.

2.4.3 Consolidated EBITDA by business segment

The table below shows the Group's EBITDA by business segment for each period indicated:

EBITDA by business segment (in thousands of euros)	Year ended December 31		
	2010	2009 (restated)	2009 (recorded)
Sale of electricity for own account	24,745	35,186	35,186
Development, construction, sale	(5,787)	(6,675)	(2,543)
Operation	(12,939)	(966)	(966)
Non wind activity	1,501	825	826
Corporate	(4,081)	17,109	17,109
TOTAL	**3,438**	**45,479**	**49,612**

EBITDA Sale of electricity for own account

The EBITDA to revenue ratio of this activity amounts to 66% in 2010, compared with 68% for 2009.

EBITDA from the Sale of electricity for own account activity was €24.8 million in 2010, compared with €35.2 million in 2009, a decline of 30% from 2009. Most of the operating expenses for this activity are fixed. EBITDA of this activity follows the same trend as its revenue, i.e. a decline owing to disposals of operational wind farms made in 2009 and in the first half of 2010.

Moreover, the operating performance of the wind farms for own account in 2010 was penalized by non-recurring expenses recognized at an aggregate sum of €1.2 million.

EBITDA Development, construction, sale

EBITDA of the Development, construction, sale activity shows a loss of €5.8 million at December 31, 2010, compared with a loss of €6.7 million in 2009.

In 2010, the French and Italian subsidiaries mainly provided development-construction services for the Group. Therefore no margin was recognized for that work.

Furthermore, the margin achieved from the sale of the 55.5 MW wind farm in Germany in May 2010 was weak given the existence of a goodwill associated with the wind farm since it was acquired in 2007.
Lastly, the amount of sales recorded by this activity fell sharply, from 234 MW in 2009 to 72 MW in 2010.

Taken together, these elements did not allow the structural costs of the activity to be absorbed in 2010, which remained unchanged compared with 2009.

EBITDA Operation

The Operation activity posted a negative EBITDA of €12.9 million in 2010, compared with a loss of €1 million in 2009.

This activity has an intrinsically low gross margin, defined by contracts, and reduced by the impact of structural costs.

In 2010, this activity also recorded write-downs of trade receivables in Germany for €9 million.

EBITDA Non-wind activity

In 2010, Non-wind activity recorded EBITDA of €1.5 million, compared with €0.8 million in 2009.

EBITDA Corporate

EBITDA of the Corporate activity posted a loss of €4.1 million for 2010, compared with a profit of €17.1 million in 2009.

In 2010, key events in the year included the continued reduction in operating costs by the registered office, offset by the effect of costs un-billable as corporate expenses (€3.4 million in 2010), expenses stemming from the implementation of the free share allotment plan (for €1 million in 2010) and outside consulting costs incurred owing to the Company’s exceptional context in the first half of 2010.

2.4.4 Consolidated EBITDA by geographical segment

The table below shows the Group’s EBITDA by geographical segment for each period indicated:

EBITDA by geographical segment (in thousands of euros)	Year ended December 31		
	2010	2009 (restated)	2009 (recorded)
France	4,143	7,714	11,846
Germany	2,465	19,719	19,719
Italy	(4,826)	(1,808)	(1,808)
Rest of the world	2,850	916	916
Corporate	(1,193)	18,940	18,940
TOTAL	**3,438**	**45,479**	**49,612**

2.5 FINANCIAL STRUCTURE

2.5.1 General Points

The Group is involved in a sector with high capital requirements. It notably makes significant investments in order to:

- develop and successfully commission wind projects so they can be operated to produce electricity for its own account or so they can later be sold to take care of the management for the buyers,
- possibly acquire wind farms , and
- fund selectively strategic acquisition opportunities as they arise.

Over the last years, the Group's principal sources of liquidity were its operating activities, project financing secured by cash flow generated by wind farms, the issuance of a convertible bond (OCEANEs), capital increases and corporate banking debt to finance working capital requirements related to the construction of wind farms in Germany.

Since 2008, the Group has experienced a severe contraction in its liquidity as a result of internal and external factors. The internal factors are the result of the ambitious expansion policy, implemented by the former management (April 2006 – September 2008) mainly through external growth, requiring significant capital expenditures, as well as the curtailment of sales of wind farms in Germany. The external factors are attributable to the financial crisis that began in 2008 and a lack of liquidity on the international credit markets. The Group found itself committed to significant capital expenditures under this acquisition policy, although its income from the sale of wind farms was becoming scarcer and the financial markets were becoming unstable or reluctant to provide the necessary loans or capital.

The negative impact of these internal and external factors on the Group's cash was accentuated by the risk of a request for early repayment by the holders of OCEANEs on January 1, 2012, as authorized by the initial terms of the convertible bond,.

In 2009, the Group focused on its self-financing capacity, notably by launching a program designed to sell more than 200 MW of its wind projects and assets.

In 2010, the Company restructured its balance sheet by renegotiating the terms of the OCEANEs (essentially by partial debt forgiveness, partial early repayment, postponement of the early repayment date by the bondholders until January 1, 2015, extension of the maturity date of the bond to January 1, 2041, and modification of the OCEANEs into shares conversion parities) as well as conducting a capital increase for €60.5 million.

The Group's policy is to maintain a sound balance sheet by continuing the reinforcement conducted in 2010, and guaranteeing its liquidity in order to:

- safeguard the Group's viability and its development capacity;
- guarantee sufficient access to external financing to cover its seasonal working capital and long-term growth requirements;

- deploy its capital effectively on the most profitable projects; and
- meet the Group's financial obligations on the relevant due dates.

In order to optimize the Group's medium/long term financial position, the management is aiming to:

- continue to improve the Group's profitability by reducing costs, regularly increasing recurring income, and developing industrial synergies from a more integrated structure of the different subsidiaries;
- maximize the Group's value by successfully completing the portfolio of projects being developed and accelerating the commissioning rate; and
- reduce the Group's shareholders' equity requirement on the same growth basis through co-investment in a dedicated investment vehicle for part of the Group's projects. The successful financial restructuring means that the Group now possesses sufficient liquidity to finance the equity capital for its projects that are now in the implementation phase. The additional financial resources from the co-investment will help to increase the Group's development and growth by limiting the contributions to shareholders' equity for each project.

The goal of all these measures is to create value, which should encourage holders of OCEANEs to convert their bonds into shares, and thus limit the cash redemption that could be requested on January 1, 2015. The bonds converted between July 21 and December 31, 2010 have already reduced by €17 million the maximum redemption sum payable should it be requested on January 1, 2015.

Short-term liquidity risk was significantly reduced by the success of the financial restructuring conducted in 2010. However, the Group actively continues to manage its cash flow by:

- carrying out daily cash reporting from the different entities;
- divesting subsidiaries and assets involved in non-wind activities;
- continuing to cut the costs of subsidiaries and the holding company and strengthening the management control of projects and the management control of the Group;
- streamlining structures and working methods; and
- encouraging an intercompany approach by making specific skills available among subsidiaries.

Management also believes that this active approach to managing its cash flow and capital resources is important in an environment where the cost of credit has increased significantly. Following widespread financial market distress, banks have significantly tightened their lending criteria in order to manage their own liquidity risk and maintain their regulatory equity capital ratios. These stricter lending terms may take the form of:

- lending on the basis of stricter financial ratios;
- lower margins to offset the rise in lenders' financing costs, and the risk of an increase in interest rates;
- accelerating loan maturity and the anticipated allocation of part of the cash flow to service the debt pursuant to cash sweep clauses, and;
- imposing additional events of default, or eliminating discussion or grace periods that could prevent the occurrence of a default.

2.5.2 Shareholders' equity – Group share

The Group share of shareholders' equity was €222.3 million at December 31, 2010, compared with €144.9 million at December 31, 2009. This change is mainly related to the following:

- the capital increase completed in July 2010 for a €56.3 million sum net of costs; and
- the Group share of net income posted in 2010 (a profit of €5 million), compared with a loss of €25.2 million recorded in 2009.

2.5.3 Net financial debt

The success of the financial restructuring in July 2010, which included the renegotiation of the terms of the OCEANEs and a capital increase, substantially reduced the Group's debt and boosted its shareholders' equity.

Net debt is calculated with reference to current and non-current financial liabilities (including the position of interest rate hedging derivatives) after deducting cash and cash equivalents.

The table below sets forth the Group's net debt as of the dates indicated (in thousands of €):

Net debt (in thousands of euros)	Year ended December 31	
	2010	2009
Bank loans	222,123	267,211
of which project financing	*210,497*	*238,688*
lines of credit	*11,626*	*28,523*
Convertible bond(1)	117,506	218,729
Other financial liabilities	8,477	4,540
Current financial assets	(106)	(236)
Cash and cash equivalents	(110,431)	(94,187)
Total	**237,569**	**396,057**

(1) The sums indicated correspond to the debt component of the convertible bond. See note 2.17 of the notes to the consolidated financial statements for the year ended December 31, 2010.

Net debt amounts to €237.6 million as of December 31, 2010, compared with €396.1 million as of December 31, 2009; a reduction of €158.5 million.

Note 23.4 of the notes to the consolidated financial statements for the year ended December 31, 2010 contains a debt repayment schedule as of December 31, 2010.

The components of the net debt and changes are broken down in the paragraphs below.

It is specified that no item of the Group's debt is rated by a rating agency.

2.5.3.1 Convertible bond

On October 23, 2007, the Group issued bonds convertible and/or exchangeable for shares for a total of €240 million.

In 2010, the Group amended the terms of its convertible bond.

The principal new terms of the OCEANEs are outlined in paragraph 2.1.1.4 of this Management Report.

For further information on the changes in the terms of the OCEANEs, please refer to the offering circular dated June 23, 2010 with visa No. 10-198, available on the Company's website.

As regards IFRS standards, amending the terms of the convertible bond required the following three principal items to be posted in the consolidated financial statements at December 31, 2010 (a breakdown of those items is shown in note 23.2 of the notes to the consolidated financial statements for the year ended December 31, 2010):

- recognition of the partial early redemption of the convertible bond;
- reversing the recognition of the residual convertible bond after recognition of the partial early redemption; and
- recognition of the new debt at its fair value.

These operations resulted in a €101.2 million reduction in the convertible bond. The debt component of the convertible bond fell from €218.7 million at December 31, 2009 to €117.5 million at December 31, 2010.

2.5.3.2 Project financing

At December 31, 2010, the project financing debt was €210.5 million or 60.5% of the Group's financial liabilities, compared with €238.7 million at December 31, 2009, or 48.7% of the Group's financial liabilities at that date. This substantial decline in the project financing debt is the balance remaining from the loans redeemed after the disposal of operational wind farms (specifically the 55.5 MW farm in operation in Germany that was sold in May 2010) and the establishment of new project financing (notably for the Giunchetto farm in Italy).

When the Group sets up a new wind project, it establishes a project support company ("SPV"), an ad hoc entity holding the project assets, which is the debtor of the financing granted in connection with the project.

Financing documentation

The SPV enter into financing agreements with banks without recourse or with limited recourse to the parent company. However, in some cases, the Company may be required to guarantee a financing deficit of the SPV during a project construction phase. Such guarantee commitments usually take the form of comfort or support commitments (see. 2.6 of this Management Report).

These long-term financing agreements are designed not to exceed the guarantee period for electricity purchasing tariffs or for the issuance of green certificates granted to wind projects in accordance with national regulatory systems. Their maturity is generally 13 to 15 years.

Bank debt represents between 70% and 90% of the capital expenditure costs of a project, with the remainder financed from shareholders' equity.

Project financing is based either on fixed-rate loans (Germany and Morocco) or variable-rate loans (France and Italy). Variable-rate debt is always subject to an interest rate hedge through a rate swap contract for 75% to 100% of the outstanding amount.

At December 31, 2010, nearly all the Group's project financing debt was protected from unfavorable changes in interest rates.

Project financing is typically secured by first priority liens on the underlying assets of the projects. The securities (shares or partnership shares) of the SPV are generally pledged to the lenders. Moreover, the Group's project financing techniques call for opening reserve accounts and in particular a debt servicing reserve account, which generally represents six months of scheduled debt redemption payments.

Project financing agreements include representations and warranties and commitments by the SPV and the other entities of the Group (including the Company) and current cases of default for this kind of financing.

Project financing agreements may also include financial covenants, such as a debt service coverage ratio and a debt-to-equity ratio. If the ratios are not maintained above a first threshold, the SPV is prevented from making distributions to its shareholders. If the ratios are not maintained above a second (lower) threshold, the lenders have the option of demanding early repayment of the debt. Cross default clauses are contained in some agreements that contain more severe repercussions if the Group defaults on its debt. If a cross default clause is implemented, the Company could face a major liquidity problem (see paragraph 4.1.2 of this Management Report). These financial ratios are calculated by the Group and are certified by the statutory auditors when required by the financial documentation.

As a matter of policy, the Group monitors the SPV on an ongoing basis for compliance with the commitments made by them, especially in terms of ratios.

Non compliance with ratios/ covenants

In the past, the Group failed to comply with certain financial commitments (covenants) associated with certain financing agreements. In particular, in France, Germany and Morocco during 2008 and 2009, which led the Group to restructure certain debts or obtain waivers from its creditors.

As of December 31, 2010, the Group is not in compliance with certain financial covenants required under the financing frameworks for certain wind plant projects located in France:

- for the wind farms operated in France by Centrale Éolienne de Séglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF), representing a total bank debt of around €17 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. A waiver was given on March 25, 2011 for this case of default under the financing documentation;

- for the wind farm operated in France by Centrale Éolienne des Sablons (CESA), representing a bank debt of around €9.9 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. A waiver was given on March 25, 2011 for this case of default under the financing documentation;

- for all the wind farms located in France, with the exception of Corséol, insurance policies (machine breakage, operating loss and civil liability) were optimized and amended without the prior agreement of the lenders. The amount of the bank debt associated with these projects represents around €64.7 million. This case of default under the financing documentation received a waiver on October 31, 2010 for financing representing around €17 million. Waivers are now being obtained for the remainder based on experts' reports ordered for the banks indicating that the new policies are in compliance with the credit documentation. As of the publication date of this document, no default notices have been received;

- for the wind farms operated in France by Centrale Éolienne de Moulin de Froidure (CEMDF) and Centrale Éolienne de Sallen (CESAL), representing a total bank debt of around €23 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. The lenders (Société Générale and GE Corporate Finance Bank at 50% each) were notified in early January to waive this case of default and amend the documentation in order to reestablish the default ratio in line with the market (1.25x in the documentation for market levels of around 1.10x). Société Générale indicated its agreement with the request for a waiver on the condition of a waiver fee of 50 bps and satisfactory documentation concerning the changes to be made by rider. The Group had accepted these terms. On March 25, 2011, GE Corporate Finance Bank announced an additional request to increase the margin to 200 bps from 100 bps as contained in the current documentation. The Group finds these terms unreasonable and has so informed the lenders. Therefore, there is no waiver for this case of default. In any event, a demand to pay these loans early can be issued only by decision of a two thirds majority of the lenders.

The reason for the breaches of the financial covenants presented above (aside from those pertaining to insurance) is based solely on the weakness of the wind energy system during the year just ended. These wind farms operate (maintenance cost, availability) in accordance with estimates.

At the date of publication of this Management Report, no request for early repayment because of a case of default by decision of the lenders concerned was received by any SPV in the Group.

Accounting impact of non compliance with ratios/ covenants

Pursuant to IAS 1, in the consolidated financial statements for the year ended December 31, 2010, the Group reclassified as current financial debts the cases of default occurred in 2010, even though waivers have been obtained from the lenders since then.

The financial debts concerned are the financing for projects of the companies CEFF, CESAM, CESA, CEMDF and CESAL (see note 23 of the notes to the Group's consolidated financial statements for the year ended December 31, 2010 and Chapter 4 of this Management Report).

2.5.3.3 Lines of credit

In connection with its activity involving the construction and sale of wind farms in Germany, the working capital requirement associated with the construction cycle is financed both by cash flow and by short-term corporate bank loans or revolving loans. These loans are contracted by THEOLIA Naturenergien GmbH (formerly Natenco GmbH) and some of them benefit from a partial guarantee given by the Company. As of December 31, 2009, total corporate loans drawn amounted to €28.5 million. They were partially redeemed during 2010. Thus, as of December 31, 2010, total corporate loans represent only €11.6 million.

In early 2010, the lines of credit granted by Südwestbank AG ("Südwestbank") and Vorarlberger Landes und Hypothekenbank AG ("Vorarlberger") of €10 million each with a pledge by THEOLIA SA of €7.5 million each were limited to the amount actually drawn (€3 million each) owing to the uncertainty associated with the Group's financial restructuring. THEOLIA's third corporate bank, Naturenergien GmbH, West LB, maintained the short-term line of credit that matures in May 2011.

Despite the success of the financial restructuring, Vorarlberger has demanded the repayment of its line of credit, which was done in the second half of 2010. In fact the bank has decided to shift its activities to private banking and discontinue corporate financing. Likewise, Sudwestbank has suggested to THEOLIA Naturenergien GmbH that this kind of financing be changed to pledges on assets in operation. Because the terms proposed were highly restrictive and less competitive than other financing sources, this solution was not adopted. As of December 31, 2010, Sudwestbank's outstanding receivables amounted to €1.6 million and were fully repaid at the date of publication of this document. The remainder of the debt, as of December 31, 2010, corresponds to the €10 million loan with West LB, which has been guaranteed since July 2, 2010 by THEOLIA SA for €7.5 million.

As of December 31, 2010, the Group is in compliance with the financial covenants on German corporate debt.

2.5.3.4 Other financial liabilities

On December 31, 2010, other financial liabilities included the fair value of the interest rate hedging instruments for €6 million and a current account set up with the minority share buyer of the Giunchetto farm in Italy for €2.4 million.

On December 31, 2009, the other financial liabilities mainly corresponded to the fair value of the interest rate hedging instruments.

The change in the fair value of the interest rate hedging instruments totals €1.6 million between the two financial years.

2.5.4 Working capital requirement

The Group faces a difficult environment and expects that the uncertainty and volatility will continue on financial markets and in the economy over the next twelve months. Unexpected events may force the Group to seek additional resources in order to finance its working capital. There is no guarantee that it will be able to obtain additional financing on acceptable terms or even that it will find potential lenders at all.

The table below shows the change in the Group's working capital requirement for the periods indicated:

Change in the working capital requirement (in thousands of euros)	Year ended December 31	
	2010	2009
Inventories	11,457	90,561
Clients	(1,778)	(5,092)
Suppliers	431	(39,066)
Other receivables and payables	23,769	7,878
Total	**33,879**	**54,280**

The working capital requirement fell by €33.9 million in 2010, compared to a decrease of €54.3 million in 2009.

This change is due mainly to the following factors:

- in 2009, a significant wind farm and wind project disposal program was carried out, in particular by drawing on inventory built up during the 2008 financial year, leading to a sharp reduction of inventory in 2009. In 2010, the Group continued disposing of wind farms and projects by releasing €24.3 million worth of inventory. At year-end, the inventory for wind projects and farms related to the "trading" business in Germany was almost entirely renewed. The Group stocked over €12.8 million worth of inventory overall for wind projects and wind farms throughout the year. Inventory therefore decreased by €11.5 million in 2010;

- sales of wind farms and wind projects in 2009 only generated a small €5.1 million increase in trade receivables for the financial year because the majority of these disposals had been completed and paid before December 31, 2009. The 2010 financial year is marked by an increase in liabilities in relation to the Operation activity. This effect is partially offset by the recognition of €9 million in depreciation of receivables in this segment. Furthermore, a significant €5.7 million sale made at the end of the financial year was not closed by year-end;

- the change in trade payables between 2009 and 2010 is insignificant. The debt tied to wind farm and wind project acquisitions stocked during the 2010 financial year were settled throughout the year. The change in trade payables related to farms in construction for own account has an impact on investment cash flow and not trade payables. In 2009, trade payables had decreased €39.1 million, following the settlement of 2008 purchases in 2009; and

- in 2010, the change in other receivables and payables generated a positive cash flow, in particular due to reimbursements of receivables held on wind farms sold throughout the financial year, i.e. €16.9 million. It should be noted that the deductible VAT tied to turbines acquired by THEOLIA SA, i.e. €4 million, have been reimbursed during the financial year.

2.5.5 Cash and cash equivalents

The following table shows selected consolidated cash flow data for the Group for the periods indicated:

Consolidated cash flow data - extracts (in thousands of euros)	Year ended December 31	
	2010	2009
Cash flow from operating activities	41,552	103,385
Net cash flow generated by investing activities	(42,250)	(12,291)
Net cash flow generated by financing activities	16,734	(87,724)
Effect of interest rate movements	146	(8)
Change in cash and cash equivalents	16,181	3,361
Cash and net cash equivalents at beginning of period	94,179	90,819
Cash and net cash equivalents at end of period	**110,360**	**94,180**

On December 31, 2010, the Group had €110.4 million available in cash and cash equivalents, compared to €94.2 million on December 31, 2009. Cash and cash equivalents have therefore increased €16.2 million between these two financial years. The main changes are described below:

Cash flow from operating activities

The cash flow from operational activities was €41.6 million for the year ended December 31, 2010, compared to €103.4 million as of December 31, 2009. The large wind farm and wind project disposal program carried out in 2009 had generated a significant operational cash flow. In 2010, the success of the financial restructuring, allowing the Group to reduce the rate of disposals during the second half of the year, also caused a reduction in operational cash flow.

Net cash flow generated by investment activities

Net cash flow generated by investment activities was a (€42.3) million for the financial year ended December 31, 2010. It was a (€12.3) million for the financial year ended December 31, 2009.

In 2010, the Group's investments were concentrated on advancing projects being developed and created: €36 million was invested in the construction of wind farms and €5 million was invested in the development of wind projects. The change in loans and advances is +€10.1 million, mainly due to taking over a portion of the cash advances as minority shareholder of the Giunchetto farm in Italy.

Lastly, the impact of companies' acquisitions and disposals resulted in a €12.2 million reduction of the Group's cash and cash equivalents, mainly including earn-outs for the acquisitions of Maestrale Green Energy (for €3.8 million) and payment to purchase companies that have wind projects and farms (€7.5 million).

Net cash flow generated by financing activities

Net cash flow generated by financing activities was +€16.7 million for the financial year ended December 31, 2010, compared to a negative flow of €87.7 million for the financial year ended December 31, 2009.

This positive balance results mainly from the following changes:

- completion of a €56.3 million capital increase, net of fees;
- obtaining €45.5 million in loans and other debts (mainly to finance the Giunchetto farm in Italy);
- reimbursement of €70.6 million in loans and other debts (lines of credit in Germany, in particular); and
- payment of €14.4 million in interest.

The net cash positions at the end of the years mentioned above break down as follows:

Cash and cash equivalents (in thousands of euros)	Year ended December 31	
	2010	2009
Pledged cash	23,587	24,914
Reserved cash for SPVs	17,661	16,503
Available cash	69,184	52,770
Total cash and cash equivalents	**110,361**	**94,180**

2.5.6 Investments

The following table shows the Group's capital expenditures for the periods indicated:

Investments	Year ended December 31	
(in thousands of euros)	2010	2009
Intangible assets		
Project currently under development	4,964	4,753
Development cost	-	72
Software and similar rights	94	69
Other intangible assets	1,930	9
Subtotal	6,987	4,903
Tangible assets		
Land	63	20
Fixtures and fittings	733	36
Project currently under construction	16,355	25,020
Technical installations	13,814	970
Assets placed in concession		
Other tangible assets	461	149
Subtotal	31,426	26,195
Total	**38,413**	**31,098**

More detailed information on the Group's tangible and intangible assets can be found in notes 13 and 14 to the consolidated financial statements for the year ended December 31, 2010.

2.6 OFF-BALANCE SHEET COMMITMENTS

As part of its wind farm development and construction activities, the Group generally sets up a subsidiary in each country where it has a presence. When the Group develops a wind project in a country, the corresponding subsidiary constitutes a SPV to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These host entities may be direct subsidiaries of the Company in certain jurisdictions, or indirect subsidiaries owned through holding companies.

The Group cannot consolidate the assets and liabilities, or the income and expenditure of these subsidiaries in its consolidated accounts if it notes an absence of control in terms of IFRS rules.

However, as the Group holding company, the Company may be liable to its lenders, suppliers and clients for providing credit, liquidity or other forms of support for its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the consolidated IFRS financial statements of the Group, these loans, liquidities or other types of support to deal with market risk do not appear in the consolidated balance sheet of the Group. Likewise, if a subsidiary is consolidated, certain types of support are not shown in the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- letters of credit guaranteeing the subsidiaries' working capital;
- guarantees to the suppliers of wind turbines;
- guarantees to finance subsidiaries developing wind projects;
- guarantees for obligations to refund the purchase price for the benefit of clients;
- comfort letters to subsidiaries; and
- other commitments (direct agreements, etc.).

In addition, in some cases, non-consolidated entities may also supply the Group with credit, liquidity or other forms of support to the Group in connection with the market risk; these also constitute off-balance sheet commitments

The tables below offers a breakdown of the significant off balance sheet commitments connected to the Group's consolidation scope, to the financing and the operational activities of the Company and its subsidiaries as of December 31, 2010.

Off balance sheet commitments connected to the scope of the consolidated Group

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in millions of €	2010 Amount in millions of €
Guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for an overall maximum amount of €140,000. €111,086 of this guarantee is now blocked due to the dispute with the water treatment and drinking water plant in Cabries.	N/A	0.1	0.1
TOTAL						**0.1**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in millions of €	2010 Amount in millions of €
Option to buy back sold shares	Thenergo	THEOLIA SA	THEOLIA SA sold the whole of its interest in Thenergo (4,716,480 shares) to Hestiun SA for €15 million on December 24 2008. THEOLIA kept the option to buy back these shares at the agreed price of 110% of the sale price by December 31, 2009 at the latest and by 120% of this sale price by December 31, 2010, at the latest. This option was not exercised.	December 31, 2010	n/a	n/a

Off balance sheet commitments connected to the financing of the Company and its subsidiaries

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in millions of €	2010 Amount in millions of €
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Banks	Pledges to different banks of a certain number of accounts opened in their books to guarantee the costs that could arise when dismantling certain wind farms in Germany	Variable according to term of loan granted	7.9	**6.9**
Pledge of bank accounts Cash pledge agreement	SPVs France	Banks	Pledge with banks of accounts opened on their books	Variable according to term of loan granted	n/a	**3.7**
Pledge of SPV shares	SPVs	Banks or third parties (assignees)	Some companies in the Group – detailed in note 30 of the Notes to the consolidated financial statements for the 2010 financial year – may have to pledge their shares in connection with the securities granted to third parties.	Variable according to term of loan granted	74.7	**63.8**
TOTAL						**74.4**

Off balance sheet commitments related to the operating activities of the Company and its subsidiaries

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in millions of €	2010 Amount in millions of €
Lease agreement for registered office	THEOLIA SA	La Halte De Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the registered office premises for a term of 9 years (from March 1, 2008) with no early termination option.	February 28, 2017	4.4	**2.9**
Customary liabilities guarantees	Certain companies in the Group	Purchasers	The Group's companies in France, Germany and Italy grant the customary assets and liabilities guarantees to purchasers for periods varying from between 18 and 36 months when selling wind farms.	Variable (from 18 to 36 months)	n/a	**n/a**
TOTAL						**3.1**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in millions of €	2010 Amount in millions of €
Non-compete undertaking	THEOLIA SA	THEOLIA SA	3 year non-compete commitment in Europe by Jean-Marie Santander if he leaves THEOLIA SA	September 29, 2011	n/a	n/a
Non-compete undertaking	THEOLIA France SAS	THEOLIA France SAS	3 year non-compete commitment granted by the Sellers when THEOLIA France SAS acquired the corporate rights of Ventura SA	September 16, 2012	n/a	n/a
Non-compete undertaking	THEOLIA France SAS	THEOLIA France SAS	5 year non-compete commitment granted by the Sellers when THEOLIA France SAS acquired the corporate rights of Ventura SA	September 16, 2014	n/a	n/a
Miscellaneous guarantees	Certain companies in the Group	Certain companies in the Group	As part of its construction and development operating activities, some of the group's companies are sometimes given guarantees by certain turbine manufacturers covering the operation of wind farms and construction (deposit) and completion guarantees by certain sub-contractors.	Variable	n/a	n/a

2.7 CONTINUITY OF OPERATIONS

During the 2010 financial year, the Group completed a major financial restructuring, including renegotiating the terms of its convertible bond and a €60.5 million capital increase.

This financial restructuring allowed THEOLIA to significantly improve its financial position by reinforcing its shareholders' equity, increasing its cash and cash equivalents, and reducing its debt.

Based on these elements, the Group considers itself to be able to ensure the continuity of its operations for the next 12 months and, in this context, concludes that it was appropriate to apply the principle of continuity of operations for the preparation of its consolidated financial statements.

2.8 OUTLOOK

In 2010, THEOLIA pursued a double objective: stabilize its financial position and transform the Group by increasing efficiency and committing to the path towards profitability.

Therefore, the Group led a major financial restructuring. The terms of the convertible bond were revised and a €60.5 million capital increase was carried out.

The Group's financial situation was therefore significantly improved: net financial debt decreased €158.6 million from the end of 2009 to the end of 2010; shareholders' equity was reinforced by €76.9 million; and cash and cash equivalents increased by €16.1 million.

The Group anticipates that this situation will continue to progressively improve due to rigorous management, the continuing transformation of bonds into shares, and the reduction of the resulting debt.

The Group's growth strategy consists of three main strategies:

- improving operational performance by continuing to reduce costs, and streamlining work methods and processes;
- continuing investments at a sustainable pace in order to reinforce the Group's operational positions in the four countries where it operates wind farms; and
- implementing a co-investment strategy.

The Group is continuing its efforts to reduce costs. Several reporting procedures have been set up and new management tools have been rolled out. The Group is developing industrial synergies through a simplified and more integrated structure. Management control is reinforced at the Group level and also at the project level.

At the operational level, the Group is focused on advancing its projects under development. In 2010, €36 million was invested in the construction of wind farms and €5 million was invested in the development of wind projects. That is how the Group put the Giunchetto farm in service in Italy, with a net capacity of 15 MW for the Group. The Group is completing construction of an 18 MW farm in France for its own account, the commissioning of which is forecasted for the end of 2011, as well as the construction of 7 MW in Germany. On December 31, 2010, the Group also has 126 MW divided between France and Italy for which construction permits or equivalent authorizations have been obtained. The Group is going to continue to focus its investments on projects with the highest profitability.

The financial restructuring has already allowed the Group to reduce the rate at which it was disposing of farms and projects. The Group hopes to maintain this trend.

Lastly, a co-investment approach has been initiated since the capital increase. The creation of an investment vehicle dedicated to housing some projects is currently being looked into. This initiative should enable the Group to obtain additional means of financing to support its future growth.

2.9 RESEARCH AND DEVELOPMENT

The Group develops, builds, operates, and sells wind farms. The Group's business does not imply research and development activities or possession of any specific patent and license.

The company Seres Environnement, belonging to the Environmental division of the Group, specializes in the design and marketing of devices for measuring the quality of water and air.

On December 31, 2009, the research and development costs incurred by this subsidiary totaled €279,534 compared to €474,742 on December 31, 2009. These costs mainly pertain to the design of new devices to measure the quality of water and air.

These costs are reported for in the line of the balance sheet titled "assets held for sale".

2.10 SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE 2010 FINANCIAL YEAR

2.10.1 Setting up the financing for the Gargouilles wind farm

THEOLIA set up the financing for its Gargouilles wind farm at the end of January 2011. This 18.4 MW wind farm, which is located in the towns of Gommerville, Oysonville and Pussay, in the department of the Eure-et-Loire in France, entered its construction phase in September 2010. Commissioning is planned for the end of 2011.

2.10.2 Continued bond conversions

The Company recorded the late conversion of 279,875 OCEANEs in February and March of 2011 resulted in the creation of 2,418,120 new shares.

Since July 20, 2010, the date the amended terms of the OCEANEs went into effect, 1,381,945 OCEANEs have been converted, resulting in the issuance of 11,939,136 new shares.

3. THEOLIA SA 2010 RESULTS

The separate accounts of the parent company, THEOLIA SA, were approved by the Board of Directors at its meeting on April 18, 2011.

3.1 ANALYSIS OF INCOME STATEMENT

3.1.1 Revenue and other income

THEOLIA SA's revenue totaled €24.9 million for the 2010 financial year, compared to €6.1 million for the previous financial year.

In 2010, revenue consisted of the following elements (in millions of euros):

Sales of turbines from inventory	19.4
Services provided invoiced as management fees to subsidiaries	5.5

In 2008, THEOLIA purchased turbines for a total of €19.4 million, recognized as inventories awaiting allocation to a project.

In 2010, the turbines were allocated to a project under development in Italy and the inventory was sold to the Italian subsidiary Neoanemos at its historical acquisition cost.

This sale resulted in a €20.1 million decrease in inventories, corresponding to the acquisition cost, increased by costs related to storage.

Revenue recognized in 2009 comprises solely invoiced management fees to subsidiaries.

"Reversals of provisions and transferred charges" amounted to €9.5 million for 2010, compared with €26.5 million in 2009.

In 2010, this line item comprised the following components (in millions of euros):

Reversal of provisions	5.2
Charges transferred	4.3

Certain intra-group trade receivables were reclassified as "Loans to subsidiaries and affiliates" under long-term investments. The €5.0 million in related provisions were therefore reversed.

Charges transferred mainly include €4.2 million of costs related to the capital increase realized in July 2010.

In 2009, it will be recalled that "Reversals of provisions and charges transferred" included two significant operating provision reversals, corresponding to:

- the reversal of the impairment for the receivable due from Hestiun following the sale of Thenergo shares for €15 million. The receivable was paid in 2009; and
- reversal of a €10 million provision on reserved turbines as the purchase contract for the turbines was renegotiated with the turbine manufacturer in 2009.

"Other income" totaled €963,000 for 2010, compared with €231,000 in 2009. In 2010, this item included the re-invoicing to the German subsidiary, THEOLIA Naturenergien, of commission on the sale of a German wind farm paid by THEOLIA on THEOLIA Naturenergien's behalf.

3.1.2 Operating income

An operating loss of €10.8 million was recognized for 2010, compared with operating income of €18.9 million in 2009.

In 2010, net non-recurring expenses of €13.1 million had a negative impact on operating income. They include, notably:

- expenses related to the financial restructuring carried out in 2010, amounting to €9.6 million, recognized as "external expenses"; these expenses were offset against €4.2 million in charges transferred recognized under "Other income" (see section 1.1.1) The net expense was €5.4 million;
- exceptional compensation, of €415,000, and indemnities payable under negotiated termination settlements, of €1.4 million, paid to former senior executives of the Company, and recognized under "Salaries and wages";
- provisions for contingencies and losses of €2.1 million; and
- exceptional amortization of €3.8 million, corresponding to expenses incurred for the 2007 bond issue; amortized on a straight-line basis over the term of the loan, which were fully amortized in 2010 following the renegotiation of the loan.

In contrast, in 2009, operating income benefited from the positive impact of two significant reversals of provisions for a combined amount of €25 million.

The Company recalls that, to offset this, it continued its plan to reduce recurrent operating expenses and to decrease its payroll costs excluding executive management.

3.1.3 Financial income

Financial income in 2010 was a net charge of €79.5 million, compared to net income of €0.2 million in 2009. Financial income totaled €33 million, compared to €47.6 million in 2009. Financial expenses totaled €112.5 million, compared to €47.5 million in 2009.

In 2010, financial income included the following main amounts (in millions of euros):

Reversal of the impairment allowances on the shareholder loan to THEOLIA Emerging Markets and the related capitalized interest	13.4
Cancellation of the non-conversion premium on OCEANE convertible bonds	7.0
Interest on advances of funds to subsidiaries	11.5
Dividends received from Compagnie Eolienne du Détroit	1.3
Other	(0.2)

At end 2007, THEOLIA granted a shareholder loan to its subsidiary, Theolia Emerging Markets (TEM), of €25 million, for the acquisition of ecolutions GmbH & Co. KGaA. An impairment allowance of €10.6 million was recognized on this loan in 2009, reflecting the fall in the value of ecolutions. The €2.7 million of capitalized interest on that loan was also written down. Cumulative impairment charges totaled €13.4 million.

The acquisition by THEOLIA from TEM in 2010 of the equity investment in ecolutions GmbH & Co. KGaA lead to the offset of the shareholder loan to TEM and therefore the related €13.4 million provision was reversed.

The change to the terms of the bond issue realized in July 2010 resulted in the cancellation of the €7 million non-conversion premium previously recorded by the Company pursuant to the initial bond-issue terms.

In 2010, financial expenses included the following main amounts (in € million):

Impairment of Theolia Holding GmbH shares	77.6
Impairment of ecolutions GmbH & Co. KGaA shares	15.3
Impairment of Seres Environnement shares	3.5
Impairment of other financial assets	8.2
Annual interest on the bond issue	4.8
Waiver of interest on the shareholder loan to TEM	2.7
Other	0.3

Each year, the Company performs value measurements in order to ensure, notably, that securities held are correctly measured.

Following the sale of a 55.5 MW wind farm operating in Germany in the first half of 2010, and the reduction in the pace of disposals in the second half of 2010, the value of the shares in the German subsidiary Theolia Holding GmbH was restated. An impairment allowance of €77.6 million was recognized.

Similarly, an impairment of €15.3 million was recognized on ecolutions shares, acquired from TEM in 2010, reflecting the value in use of the shares. This impairment breaks down as follows:

- €10.6 million, reflecting the provision recognized in 2009; and
- a €4.7 million adjustment following the new assessment of the value of ecolutions realized in 2010.

The impairment of Seres Environnement shares is a consequence of the reconstruction of the company's shareholders' equity.

To guide the reader, it should be specified that certain financial income and expenses offset each other, in particular:

- the reversal of the €10.6 million provision on the shareholder loan recognized under financial income was offset by part of the impairment on the ecolutions shares recognized under financial expenses; and
- the reversal of the impairment of capitalized interest related to the loan was offset by a financial expense of the same amount, following the waiver of this interest.

3.1.4 Extraordinary income or loss

Extraordinary income in the 2010 financial year was €738,000, compared to income of €17.2 million in 2009.

It should be noted that in 2009, extraordinary income mainly included income of €28 million generated by the sale of shares in Ventura.

3.1.5 Net income

Net income was a loss of €89.8 million for 2010, compared to net income of €36.7 million for 2009.

The financial year 2010 was particularly burdened by non-recurring operating expenses of a combined amount of €13.1 million (which includes the net expense of €5.4 million connected with the renegotiation of the terms of the OCEANE convertible bonds), and by the recognition of impairments of shares in the three equity investments for a combined amount of €85.8 million.

By contrast, results in 2009 benefited from the positive impact of two reversals of operating provisions for a combined amount of €25 million, as well as a capital gain of €19.8 million following the sale of Ventura shares.

3.2 CASH FLOW STATEMENT

The following table summarizes the changes in cash flow during the financial year, with a breakdown by cash flow category.

In millions of euros	**12/31/2010**	**12/31/2009**
Working capital provided from operations	(2.496)	28.174
Charge in operating working capital	13.862	(32.615)
Cash flows from operations	11.366	(4.441)
Cash flows from investment activities	(16.915)	16.484
Cash flows from financing activities	30.431	4.370

Change in cash and cash equivalents	**24.883**	**16.413**
Cash and cash equivalents as of January 1	30.151	13.738
Cash and cash equivalents as of December 31	55.034	30.151

As of December 31, 2010, the Company's net cash amounted to €55 million, compared with €30.2 million as of December 31, 2009.

Cash flows from operations

Working capital provided from operations was a net outflow of €2.5 million in the year to December 31, 2010.

Conversely, operating working capital requirements increased by €13.9 million. This improvement is chiefly due to the following factors:

- the collection of a net €9.6 million of intra-group trade receivables, notably from French and German subsidiaries;
- a €4 million VAT refund following the sale of the turbines to the Italian subsidiary; and
- the ending of straight-line amortization of €3.8 million in expenses incurred in the issue of the OCEANE convertible bonds in 2007, following changes to the terms of the bond issue this improvement was offset against the €2 million reduction in supplier payables and various disbursements of €1.5 million.

Overall, cash flow generated from operations was a net inflow of €11.4 million in the year to December 31, 2010. In the year to December 31, 2009 there was a net outflow of €4.4 million.

Cash flows from investing activities

Net cash flow used for investing activities resulted in a net outflow of €16.9 million for the year to December 31, 2010, compared with a net inflow €16.5 million in the year to December 31, 2009.

In 2010, acquisitions of non-current assets, totaling €29 million, mainly featured the following:

- the acquisition of Ecolutions shares for €25 million; and
- the payment of €4 million in earn-outs for the acquisition of Maestrale Green Energy.

The change in loans outstanding was a positive €10.8 million as of December 31, 2010 and mainly includes the following:

- the repayment of the €25 million shareholder loan extended to TEM;
- offset by various cash advances to subsidiaries with a view to providing for the financing of their activities.

The Company also received €1.3 million in dividends from the Compagnie Eolienne du Détroit, a subsidiary operating a 50.4 MW wind farm in Morocco.

Cash flows from financing activities

The net cash flow used in financing operations was a net inflow of €30.4 million for the year to December 31, 2010. It comprises the following items:

- the completion of a capital increase, for a total net of costs, of €56.3 million;
- the early part repayment of the convertible loan, for an amount of €20.4 million, in line with the financial restructuring carried out in 2010; and
- the payment of annual interest of €4.8 million on the convertible bond loan.

3.3 FINANCIAL DEBT

The company's financial debt amounted to €204.5 million as of December 31, 2010, compared with €252.5 million as of December 31, 2009.

This significant €48 million decrease is a result of:

- the €20.4 million early part repayment of the convertible loan;
- bond conversions between July 21 and December 31, 2010, reducing the loan outstanding by €20.9 million; and
- the transfer to THEOLIA France of €6.1 million of intra-group debt.

3.4 INFORMATION ON SUPPLIERS

Pursuant to Articles L.441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of the balance of debts owed to suppliers by maturity date as of December 31 for the last two financial years is shown below:

€ million	12/31/2010	12/31/2009
Supplier payables outstanding, not matured	**0.60**	**0.35**
Total supplier payables due and overdue	**2.03**	**3.58**
Of which:		
• *Up to 180 days*	0.63	0.71
• *More than 180 days*	1.40 (*)	2.87 (*)

(*) Intra-group payables (notably those owed to THEOLIA Naturenergien and THEOLIA France) were settled during the year. The item appearing in the Company's balance sheet mainly concerns non-group supplier payables.

3.5 FIVE YEAR FINANCIAL SUMMARY

Under French accounting standards, in Euros	*31/12/2006*	*31/12/2007*	*31/12/2008*	*31/12/2009*	*31/12/2010*
	18 months	*12 months*	*12 months*	*12 months*	*12 months*
Total shareholders' equity	**168,349,952**	**350,035,018**	**189,106,745**	**226,249,000**	**214,198,711**
Balance sheet total	**214,304,936**	**604,525,432**	**454,935,459**	**490,940,000**	**425,942,835**
Share capital at financial year end					
Share capital	25,403,531	38,681,671	39,746,992	39,895,207	110,292,782
Number of ordinary shares	25,403,531	38,681,671	39,746,992	39,895,207	110,292,782
Preferred shares without voting right	-	-	-	-	-

Maximum number of shares to be created					
By allotment of shares	423,500	575,715	561,715	2,070,611	1,777,111
By conversion of bonds		11,538,462	11,538,462	11,538,462	90,170,427
By subscription rights	2,955,277	4,917,447	4,415,450	3,997,450	4,053,504
Operations and results					
Revenue Net of Tax	4,859,762	5,968,734	7,414,503	6,118,146	24 ,918,915
Income (loss) before taxes, employee profit-sharing, amortization and provisions	-1,678,550	3,235,425	828,527	20,224,750	-6,003,856
Income tax	-2,737,985	-608,719	-240,050	-422,000	296,945
Employee profit sharing	-	-	-	-	-
Income (loss) after tax, employee profit-sharing, amortization and provisions	413,710	-1,151,491	-163,010,876	36,668,169	-89,828,723
Income distributed	-	-	-	-	-
Earnings per share (undiluted)					
Income (loss) before tax and employee profit-sharing, but before amortization and provisions	-0.07	0.08	0.02	0.51	-0.05
Income (loss) after tax, employee profit-sharing, amortization and provisions	0.02	-0.03	-4.1	0.92	-0.81
Dividends paid	-	-	-		
Income per share (diluted)					
Income (loss) before tax and employee profit-sharing, but before amortization and provisions	-0.06	0.06	0.1	0.36	-0.03
Income (loss) after tax, employee profit-sharing, amortization and provisions	0.01	-0.02	-2.9	0.64	-0.44
Dividends paid	-	-	-		
Employees					
Average number of employees	16	20	38	30	23
Total salary expenses	2,514,329	3,575,161	3,081,088	3,147,000	4,030,393
Employee benefits paid	920,103	1,236,154	1,979,021	1,607,000	1,291,694

4. MAIN GROUP RISK FACTORS

The purpose of the Group's internal control mechanisms is to prevent and control risks whose creation would be likely to have a marked adverse effect on the Group, its activities, its financial position, its results or its share price. The Company conducted a review of the Group's risks and it believes that there are no other significant risks apart from those presented below. Other risks not yet identified, which would be deemed significant by the Company could, however, also have a negative effect.

4.1 RISKS RELATED TO THE GROUP'S ACTIVITIES

4.1.1 The Group's financial and operational flexibility has been restricted and may be further restricted in the future by its level of indebtedness. If the Group does not generate sufficient cash flow to honor its financial commitments, it may be forced to call its strategy into question or reduce its investments

As of December 31, 2010, the Group's net consolidated financial debt reached €238 million, compared with €396 million as of December 31, 2009 and €498 million as of December 31, 2008. This breaks down as follows:

(in thousands of €)	12/31/2010	12/31/2009	12/31/2008 Restated
Financial debt	(222,123)	(267,211)	(376,686)
of which project financing	(210,497)	(238,688)	(337,090)
Convertible bond issue	(117,506)	(218,729)	(204,223)
Other financial liabilities	(8,478)	(4,540)	(8,338)
Current financial assets	106	236	296
Cash and cash equivalents	110,431	94,187	90,823
Net financial debt	**(237,570)**	**(396,057)**	**(498,128)**

As of December 31, 2010, financial debt was distributed as follows:

	12/31/2010
Project financing	(210,497)
Loan guaranteed by letter of credit	-
Credit lines for working capital requirements	(11,626)
Total financial debt	**(222,123)**

As of December 31, 2010, financial liabilities broke down as follows:

	Less than 1 year		1 to 5 years		More than 5 years		TOTAL	
(in thousands of €)	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest
Banking loans	81,903	7,801	66,259	28,738	73,961	31,322	222,123	67,861
Convertible bond issue	-	4,593	112,913	68,123	-	-	112,913	72,716
Debts on finance leases	-	-	-	-	-	-	-	-
Bank overdrafts and equivalents	72	-	-	-	-	-	72	
Other financial liabilities	6,112	-	2,293	-	-	-	8,405	
Total financial liabilities	**88,087**	**12,394**	**181,465**	**96,861**	**73,961**	**31,322**	**343,513**	**140,577**

The Group is subject to the risk that, in the longer term, it may be unable to generate sufficient cash flow, or to obtain sufficient funding, to satisfy its obligations to service or refinance its indebtedness (notably corporate debt). In particular, the Group's substantial level of indebtedness may have important consequences, including, but not limited to:

- requiring the Group to devote a significant portion of its cash flow to service its debt obligations;
- limiting the Group's ability over the longer term to obtain additional financing for working capital requirements, investments, acquisitions or its ability to refinance existing indebtedness;
- limiting the Group's flexibility in planning for, or reacting to, changes in market conditions and competitive pressures;
- limiting, through financial and restrictive covenants, the Group's ability to borrow additional funds, issue equity or engage in transactions with subsidiaries;
- placing the Group at a disadvantage compared to its competitors that are subject to fewer financial commitments;
- increasing the Group's vulnerability to general adverse economic conditions;
- subjecting the Group's assets to security or creating liens or guarantees; and
- increasing the cost of servicing the Group's indebtedness in the event that its financial commitments are renegotiated.

These and other factors related to the Group's indebtedness may adversely affect the business, financial condition and results of the Group.

4.1.2 The Group's financing agreements contain various covenants which, if not complied with, could require accelerated repayment as well as trigger cross-default provisions. This could have a significant adverse affect on the Group's liquidity, financial position, and results of operations.

Certain financing commitments made in project financing agreements contain debt covenants that require the Group to retain financial ratios, related, among other things, to the leverage and debt service coverage (covenants) of each project support company or group of companies. These covenants are mainly founded on a Debt Service Coverage Ratio (DSCR) (relation of EBITDA to interest charges and amortization of principal) of which the annual minimum value must be greater than a threshold including between 1.0x and 1.25x on a debt ratio control (relation of the capital remaining due on the shareholders' equity) determined according to each finance agreement.

Failure to comply with these and other debt covenants could result in the Group's financing becoming immediately due and repayable. In addition, cross-default provisions could magnify the effect of a single default. If the Group does not honor its financial commitments, there can be no assurance the Group will be able to renegotiate or obtain waivers for its shortcomings. Having to repay financing granted to the Group early would have a significant adverse effect on the Group's liquidity, financial position and profit/loss, and could force the Group to sell assets at unfavorable prices.

On December 31, 2010, the Group had not honored certain financial commitments which were required for project financing on wind power plants located in France:

- for the wind farms operated in France by Centrale Éolienne de Séglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF), representing a total bank debt of around €17 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. This shortcoming in financing documentation was covered by a waiver obtained on March 25, 2011;

- for the farm operated in France by Centrale Éolienne des Sablons (CESA), representing approximately €9.9 million in bank debt, the minimum debt service coverage ratio was not respected due to exceptionally weak wind conditions in 2010. This shortcoming in financing documentation was covered by a waiver obtained on March 25, 2011;

- all the wind farms located in France, with the exception of Corséol, insurance policies (machine breakage, operating loss and civil liability) were optimized and amended without the prior agreement of the lenders. The amount of the bank debt associated with these projects represents around €64.7 million. This case of default under the financing documentation received a waiver on October 31, 2010 for financing representing around €17 million. Waivers are now being obtained for the remainder based on experts' reports ordered for the banks indicating that the new policies are in compliance with the credit documentation. As of the publication date of this Management Report, no default notices have been received;

- for the farms operated in France by Centrale Éolienne de Moulin de Froidure (CEMDF) and Centrale Éolienne de Sallen (CESAL), representing overall approximately €23 million in bank debt, the minimum debt service coverage ratio was not respected due to exceptionally weak wind conditions in 2010. At the beginning of January 2011, the lenders (Société Générale and GE Corporate Finance Bank at 50% each) were persuaded to waive this default case and amend the documentation in order to reestablish the level of default ratio in line with the market (1.25x in the documentation for the 1.10x market levels). Société Générale indicated its agreement with the request for a waiver subject to a waiver fee of 50 bps and satisfactory documentation concerning the changes to be made by rider. The Group had accepted those terms. On March 25, 2011, GE Corporate Finance Bank announced an additional request to increase the margin to 200 bps from 100 bps as contained in the current documentation. The Group deems these terms unreasonable and has informed the lenders. Therefore, there is no waiver for this case of default. In any event, a demand to pay these loans early can be issued only by decision of a two thirds majority of the lenders.

The reason the aforementioned financial Covenants were broken rests solely on the weakness of the wind regime throughout the past year. These farms operate in accordance with forecasts made (maintenance cost, availability).

On the date that the financial statements were approved, none of the companies from the Group project were subject to an early repayment request due to a default declared by the lenders concerned.

4.1.3 The Group has already encountered difficulties to complete certain disposals of assets within the expected time limits and conditions.

Revenue from the disposal of wind farms represented 57% of all Group revenue of December 31, 2010. Moreover, the Group is disposing of non-wind assets. The Group's profitability and cash flow depend on its capacity to cut its costs while pursuing its development and on the success of its new joint investment strategy and the completion of these disposals. The Group might not be in a position to find purchasers for these assets under satisfactory financial conditions.

The sale of a wind farm might be subject to conditions precedent related to the purchaser's ability to obtain financing. Taking the financial crisis into account, the financing capabilities of certain purchasers has been considerably challenged. Accordingly, in 2008, the Group had to cancel two sales concluded at the end of 2007 on account of the purchasers' inability to obtain their financing. If the crisis should continue, the Group might be confronted with difficulties with implementing the sales by the stated deadlines under satisfactory conditions.

The Group may have to deal with other difficulties in order to complete the planned disposals of assets. Fluctuations in asset valuation, competition with other wind developers for the sale of farms or difficulties related to the purchaser audits could cause sales to be delayed or cancelled. The delay or cancellation of the sale of several assets could have a marked adverse effect on the Group's business, financial position and its cash available to finance its working capital requirements and future development. If there are delays or significant or repeated cancellations of large sales, the Group could find itself in a situation of cessation of payments.

4.1.4 The Group has issued several types of financial instruments (stock warrants, free shares, OCEANE convertible bonds, and stock options) whose exercise could trigger a dilution for shareholders.

As of December 31, 2010:

- 3,562,106 stock warrants were in circulation, enabling the issue of 4,053,504 new Company shares;
- 1,777,111 free shares were allocated, enabling the maximum issue of 1,777,111 new Company shares over a set period;
- 10,436,392 OCEANEs were in circulation, enabling, in the event of a bond conversion at a rate of 8.64 shares per conversion at the price of €15.29 if repayment occurs on January 1, 2015, the issue of 90,170,427 new Company shares; and
- 3,500,000 stock options, of which only 1,500,000 were finally allocated under conditions of performance, were in circulation, enabling the issue of 3,500,000 new Company shares.

It is further noted that out of the 3,562,106 stock warrants in circulation, 3,462,106 (or 98%) have an exercise price greater than or equal to €12.174.

In addition, the stock warrants contain attribution criteria that are linked to the evolution of the share price. The Company expects that significant dilution would come mainly from the conversion of the OCEANEs.

As of December 31, 2010, if all securities granting access to capital had been exercised, a shareholder holding 1% of share capital before their exercise would have held 0.53% of THEOLIA capital after their exercise:

	Number of shares	Investment stake of a shareholder with 1% of capital
Situation as of 12/31/10	110,292,782	1.00
Situation after exercise of the 3,562,106 stock warrants in circulation	114,346,286	0.964
Situation after issue of the 90,170,427 shares upon conversion of the OCEANEs	204,516,713	0.539
Situation after issue of the 3,500,000 stock options	208,016,713	0.53

4.1.5 The Group's activities may continue to be markedly affected by the upheaval in international credit markets and market uncertainty.

The recent upheaval of international credit markets, the reevaluation of credit risk and the deterioration in financial and real estate markets in general, particularly in the United States and in Europe, have contributed to the reduction in consumption and global economic growth. Even though it initially affected the housing, finance and insurance sectors, this deterioration has extended into a marked recession affecting, among other things, the European economy and, through other sectors, the wind market. The recession has had negative impacts on the demand for renewable energy sources and consequently on the electricity produced by wind farms developed by the Group. Moreover, the international economic recovery observed in late 2009 may be short and not affect the industries or markets in which the Group is active. Any deterioration in economic conditions could have a marked adverse effect on the Group's activity in several ways, in particular through a decrease in income from the sale of electricity or wind farms and a cut in the financing of wind projects, and it could have a marked adverse effect on the Group's liquidity, financial position and results.

4.1.6 The restricted number of technical equipment suppliers necessary for constructing wind farms, in particular turbines and masts, which is closely connected with the rapid growth of the wind industry, could create high demand and a surge in the prices of this equipment.

Constructing a wind farm requires the delivery and assembly of many technical elements, such as towers or wind turbines, that only a limited number of suppliers are in a position to supply to the Group. In 2010, for instance, the ten main suppliers of turbines represented in total 79.1% of world market shares (Source: BTM Consult APS March 2011).

The producers of wind turbines are facing increasing demands from operators. As the Group has no long-term supply contracts, it is exposed to the risks of price increases and supply disruptions. In this case, some suppliers might no longer be in a position to offer contracts to the Group and encourage the supplying of clients with long-term commitments, in particular Group competitors. Finally, taking into consideration the increase in size of wind projects, which are sometimes owned by large electricity distributors, the Group could enter into competition for the supplying of turbines with groups with greater financial resources.

The Group estimates that turbines represent about 75% of the cost of a wind project. Consequently, any price increase in turbines might have a significant direct and adverse effect on the Group's operational costs. The price inflation of turbines would mean a higher basic asset cost, which would require the Group to increase its funding through debt, which could have a marked adverse effect on the Group's business, financial position and operating income. In countries like France or Germany, in which the Group is bound by a system of fixed prices and purchase obligations for farms on one's own account, the Group cannot add the price of turbines to the sale price of electricity. Ultimately, the increase in the price of technical equipment could have marked unfavorable consequences on the Group's operational costs, its level of indebtedness, its capacity to maintain its supply and its development deadlines.

For the development of its wind projects, the Group favors a case-by-case approach. It selects the manufacturer according to specific features of the site most appropriate to the turbine model in order to optimize performance and based on the supplier's capacity to assume the maintenance of the facilities. On December 31, 2010, the purchases made with the ten largest suppliers of the Group (in monetary purchase value) amounted to €49 million for the entire Group, representing 27.97% of all purchases made over the financial year. The biggest supplier represents €19 million in purchases and 10.89% of all purchases made. As for the five largest suppliers of the Group, they represent €37 million of purchases and 21.06% of all purchases made. The Group has no master supply agreement in force for its turbine supplies and therefore, is not restricted by large long term commercial and financial commitments.

Therefore, the Group has the greatest latitude in selecting its suppliers for each of its wind projects. This approach enables the Group to use a wider range of suppliers and reduces the risk of dependence in relation to one supplier. However, it also exposes the Group to two major risks:

- the risk related to the turbine supply price: in the context of increased demand related to the growth of the market and taking into consideration the limited number of suppliers, the price of the equipment necessary for the construction of a wind farm has risen significantly over the past few years. Depending on future developments in the market, a risk of price inflation for these components persists. An increase in the price of turbines could harm the profitability of some developing wind projects. Nevertheless, as of the date of this Registration Document, this risk has not led to an actual significant price increase;
- the risk related to the availability of necessary equipment: based on the market demand observed, certain suppliers might no longer be in a position to respond to the Group's needs or to favor the most financially powerful market participants. No guarantees can be given as to whether the main suppliers of the Group will be able to meet their commitments within the time limits agreed or if the Group will not experience delays in delivery.

A price increase in supplies or intensified risk related to the availability of the necessary equipment for constructing wind farms or any inability of a supplier to fulfill its obligations, in particular in terms of maintenance, regarding Group projects and wind farms, might harm the profitability of a project and could have a marked adverse effect on the business, financial position or the operating income of the Group, or on its ability to achieve its goals (in particular regarding financing in place, for which the occurrence of such an event could cause debts to fall due prematurely).

4.1.7 The development of the Group's wind projects involves sizeable investments. The Group may have difficulties with financing these investments within acceptable time limits.

The wind industry is based on a strong demand for investments. The Group's success depends largely on its capacity to develop its portfolio, which requires sizeable investments. The main investments effected during the financial year ended on December 31, 2010 are related to continued investments in wind projects underway. For the same financial year, the Group has disposed of wind projects of a total amount of €107 million.

As part of its activities, the Group may be led to commit investments for projects (in particular in terms of turbine purchases) even when the bank financing of these projects is not secured.

Historically, the financing of debt represented up to 90% of the total value of the investment in the project. Recently, the international financial market crisis markedly reduced the amount of debt (about 70% to 80%) and increased the cost of this financing.

The Group has suffered adverse consequences from credit contraction, declining financing conditions, the lengthening of structuring deadlines for financing dossiers and the necessity of resorting to club deal structures that take longer to implement. In the current global economic environment, considering its financial position, the Group cannot ensure that it will be in a position to raise the necessary funds that will allow it to grow and handle its commitments, in particular in terms of turbine purchases.

This could force the Group to continue its investments for unfinanced projects or to suspend or discontinue the development or construction of its projects or to transfer them to third parties or even put its turbines into storage. This could have a marked adverse effect on the business, financial position or operating income of the Group.

For more information on the Group's current indebtedness, see paragraph 2.5.3 of this Report.

4.1.8 The Group's revenue from sales of wind farms could drop because of the implementation of the new co-investment strategy.

In countries where it is present, the Group's revenue fluctuates from one financial year to the next, depending in particular on the wind farms commissioned or sold. Under its new joint investment strategy, the Group cannot guarantee that it will maintain the same pace of sales of its wind farms.

As a result, the Group recorded revenue of €154.5 million in 2010, compared to €294.4 million in 2009 and €70 million in 2008.

Therefore, Group revenue and results can therefore vary markedly from one financial year to the next. Consequently, the Group's revenue for a given fiscal year might not necessarily reflect the growth of its business in the longer term or be a relevant indicator of its future results. No guarantee can be given as to whether the future profits of the Group will comply with investors' forecasts.

4.1.9 Various events that occur during the construction phase of wind farms might cause significant delays in their construction and commissioning

During the construction phase of wind farms, the Group may encounter various obstacles, in particular adverse weather conditions, problems in connecting to networks, construction faults, delayed deliveries or non-deliveries by suppliers, unforeseen delays in obtaining permits and authorizations, unforeseen technical deadlines or even actions taken by third parties.

These events might lead to significant delays in the construction and commissioning of wind farms, which might have a marked adverse effect on the cash flows, operating income and the financial position of the Group. Moreover, some of these events might lead, depending on the underlying contractual obligations, to the payment of penalties for delays or other additional costs for the Group.

The Group most often uses turnkey contracts, which impute expense and deadline-related costs to the supplier. Accordingly, up to a point, the extra costs are paid by the supplier and delays in commissioning are offset by compensation payments. When a turnkey structure is not possible, the Group is highly experienced in organizing contractual construction plans and seeks to allocate each risk to the party most able control it. However, the Group cannot guarantee that these measures will be sufficient to prevent or compensate for a significant delay. In particular, if this delay is due to the supplier, the compensation payment it might have to pay will probably be paid only after a very long delay.

4.1.10 The installation of a wind farm requires a connection to the national electric grid for the transportation and distribution of the electricity. The Group cannot guarantee that it will obtain enough connections for its future projects within the time limits and costs projected.

Setting up a wind farm requires a connection to the national transport or electricity distribution grid. Given the sometimes considerable distance between the site of the future wind farm and the transport and distribution network and the waiting lines of developers at the connections points, the Group cannot guarantee that it will obtain sufficient network connections, within the projected time limits and costs. Delays in projects and transmission and distribution from networks could delay the operation start date of new wind farms, which could have a marked adverse effect on the Group's cash flow and operating income.

4.1.11 The Group may make acquisitions or investments as part of its strategy. Several risks arise from such transactions.

The Group may make acquisitions or investments as part of its growth strategy. Such transactions include certain risks related to the integration of the activities and staff transferred, the inability to implement discounted synergies, the difficulty of maintaining uniform standards, controls, policies and procedures, discovery of liabilities or unexpected costs, or regulations applicable to such transactions. More generally, this risk could have a marked adverse effect on the Group's business, operating income or the financial position, or its capacity to achieve its objectives.

Moreover, some of these acquisitions or investments could be remunerated in shares, which could have a diluting effect for the current holders of securities, in particular shareholders.

4.1.12 In several countries, the Group is running its business in cooperation with a local partner, and the occurrence of disagreements with one or more partners, which may lead to the challenging of one or more projects, might have a marked adverse effect on the Group's business, financial position or results, or on its capacity to achieve its objectives.

In some countries, the Group is developing its business activities through partnerships with local partners who know the local wind energy market. More specifically, the partner is responsible for seeking out and completing new projects, in particular in terms of contacts with the local authorities. When these partnerships are implemented by the creation of joint entities, the Group does not always exercise complete control over them, both economically and legally speaking.

In India, the Group is planning to end its partnership. Nevertheless, the conditions for withdrawing from this partnership are not, as of the date of this Report, defined and may have a marked adverse effect on the Group's results if an agreement is not reached with the local partner.

Moreover, in Germany and in Italy, the Group may decide to develop certain projects jointly, in partnership with its local developers. The occurrence of disagreements with one or more of the Group's partners could negatively impact the Group's projects and also have an adverse effect on the Group's business, financial position or operating income, or its capacity to achieve its objectives.

4.1.13 As part of a long-term electricity sales agreement of the Compagnie Eolienne du Détroit ("CED") operated by the Group, the co-contractor of the Group (ONE) has the unilateral option to end the long-term electricity sales agreement in exchange for the payment of compensation significantly lower than the farm's purchase price.

In Morocco, CED entered into a long-term sales agreement for its electricity at a price set with the Office Nationale de l'Electricité (ONE), which is the sole distributor of and regulatory authority for electric power in Morocco.

Pursuant to the initial agreements approved, the ONE can, at any time on or after August 30, 2010, end the energy supply and purchasing agreement in return for the payment of compensation. This compensation payment amounts to about USD 20.2 million (an amount estimated on the basis of the conversion rate of the Moroccan dirham into US dollars as of December 31, 2010) if the option for cancellation is implemented by the ONE prior to the end of August 2011, and this amount will decrease over the years, over sliding 12-month periods, pursuant to the terms of the agreement.

To date, the ONE has shown no intention to implement this clause. As a result, the Company valuated the CED assets in its financial statements as a going concern value (i.e., €22.8 million as of December 31, 2009), not as a commercial value.

The termination of the contract by the ONE could have a marked adverse effect on the Group's business, financial position or operating income.

4.1.14 The Group is dealing with competitors who may have more funding.

The Group is dealing with competition from other wind sector participants who may have greater financial, human and technical resources and more developed networks in this sector. In the renewable energy sectors, the competition is mainly focused on access to the available sites, the performance of sites in production, the quality of technologies used, and the price invoiced. Some competitors of the Group, who are seeking to grow their presence in the renewable energy sector, including electricity producers established in Europe and large international groups, have a greater financial capacity than THEOLIA, which enables them to purchase new projects and increase their market shares in this sector.

4.1.15 *Interest rate variations could significantly increase the Group's funding and hedging costs and have adverse consequences on its activities, financial position and results*

As of December 31, 2010, the Group had an indebtedness of €348 million of which 34% of the amount was at variable rate, before interest rate hedging and 11% after interest rate hedging. For the financial year ended December 31, 2010, the Group paid €14.3 million in loan interest. The Group is subject to interest rate fluctuation risks which might increase its interest, especially given its level of indebtedness in the current economic environment.

The table below shows the position of the Group's net debt exposed to interest rates as of December 31, 2010 (in thousands of euros):

12/31/10	Financial assets (as per asset-liability presentation)		Financial liabilities		Net exposure before hedging		Interest rate hedge instruments		Net exposure after hedging	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Under one year	106	-	25,820	69,154	25,714	69,154	-	5,956	69,989	19,028
Between one and five years	2,384	-	163,676	15,496	161,292	15,496	-	-	174,484	4,688
Over five years	6,380	2,233	39,818	34,142	33,438	31,909	-	-	59,051	14,910
Total	**8,870**	**2,233**	**229,314**	**118,792**	**220,444**	**116,559**	**0**	**5,956**	**303,524**	**38,626**

4.1.16 *The Group's expansion strategy exposes it to risks, in particular those of a social, economic and political nature intrinsic to emerging markets.*

The Group's current operations are focused on the markets in Germany, France, Italy and Morocco. Germany, France and Italy are heavily regulated compared with Morocco and the emerging markets. In Morocco, the Group has been able to manage its exposure to risks. Nevertheless, as the Group wishes to increase its presence in Morocco and Brazil, it would be exposed to a wider spread of risks, including in some cases greater political, economic or legal risks.

The emerging markets that are currently targeted by the Group or in which it could grow its presence in the future, may be characterized by the following risks:

- problems or delays in obtaining the required permits and authorizations;
- defective infrastructures, which could affect the construction of wind farms or the transmission and distribution of the electricity produced;
- problems related to the hiring and management of the necessary employees in these various countries;
- political, social or economic instability, terrorism, or wars;
- problems in guaranteeing observance of the Group's rights;
- interventionist policies from public authorities;
- cultural differences that may limit the Group's capacity to contend with its local competitors and international companies with greater experience in terms of setting up in emerging markets;
- exchange rate risks due to the registration of assets and liabilities in foreign currencies;
- legal and/or fiscal constraints to repatriating the profits generated in other countries;

- longer payment delays and problems in collecting the amounts owed; and
- the risk that accounting, audit and financial information standards do not always correspond to IFRS and are not equivalent to those applicable in most developed market economies.

The emerging economies are more dynamic and generally subject to a greater volatility than the more developed economies. The Group's success in these countries depends partly on its capacity to adapt to their swift economic cultural, social, legal and political changes. If the Group is not in a position to manage the risks related to this expansion into emerging markets, its business, financial position and revenue could be significantly affected.

4.1.17 The risk of litigation is intrinsic to the Group's activities.

The Group is exposed to a risk of litigation with its clients, suppliers, employees and any third party claiming damages with respect to health, the environment, safety or operations, hazards, negligence, or non-observance of a contractual, regulatory or legal obligation that may have a marked adverse effect on the Group's business, financial position and revenue. In the consolidated financial statements as of December 31, 2010, the Group set aside an overall amount of approximately €3.8 million for this litigation.

In addition, the construction permits and operating authorizations for wind projects are, at times, the object of legal action because of opposition from communities to wind farms or other objections to using the land. The Group's consistent success when faced with these claims cannot be guaranteed, and this could have a marked adverse effect on the development of its projects.

These and other related risks could have a marked adverse effect on the Group's business, financial position and revenue.

4.1.18 Should the Group's subsidiaries misunderstand certain obligations covered by the Company's off-balance sheet commitments, the opposing parties could request that the Company honor these commitments.

As of December 31, 2010, the total amount of off-balance sheet commitments calculated amounted to €77.4 million.

As part of its activities, the Group grants certain off-balance sheet commitments to obtain financing and support its direct and indirect subsidiaries. The main off-balance sheet commitments are described in paragraph 2.6 above. By granting guarantees to cover certain commitments of its subsidiaries, the Group could be forced to reimburse the lenders of certain financing projects or pay the amounts owed to commercial creditors (such as equipment suppliers) or clients should a wind project not manage to be successful or a wind farm become insolvent. In this case, the creditors could exercise the security or the guarantee granted by the Group. The corresponding payments made by the Group could have a marked adverse effect on its cash flow, financial position or results.

4.1.19 The Group may be not in a position to retain its executives and key partners and attract new skilled employees.

The Group's future successes depend in particular on its capacity to retain its CEO and other executives, who have in-depth experience with the Company and the wind market. There can be no guarantee that the Group's experienced employees will remain employed in the Group. If some experienced employees had to leave the Group, this could have adverse effects on business activity during the period necessary to replace them with people with similar levels of experience.

4.1.20 The Group's activities are exposed to risks intrinsic to the construction and operation of plants, such as breakdowns, manufacturing defects and natural disasters. The Group cannot guarantee that its insurance policies are or will be adequate to cover any losses that may arise from such events.

The Group's activities are exposed to risks intrinsic to the construction and operation of plants, such as breakdowns, manufacturing defects and natural disasters.

The Group has implemented a coverage policy for the main risks related to its activities that may be insured, subject to the usual exemptions or exclusions imposed by the market. As such, over 2010, the Group has paid a sum of €1.379 million in insurance premiums, compared to €1.580 million in 2009 and €1.295 million in 2008.

The Group has taken out insurance with the firm Chartis (formerly AIG Europe) to cover construction projects, general public liability insurance in France to cover the Company and the companies of the wind division in France against the monetary consequences of third-party liability that they might incur on account of bodily, material or consequential harm. This coverage is given in the event of harm caused to others because of the companies covered by the insurance policy or on account of the people to which it is responsible or objects over which it has custody.

Moreover, the Group has taken out insurance with the firm Chartis, effective from May 1, 2010, to cover the third-party liability of corporate officers (guarantee threshold of an amount of €15 million). In addition, in order to enjoy a higher amount of coverage, a second line of insurance (for executive liability) was taken out with NASSAU Assurances effective from May 1, 2010 (amount of coverage €15 million).

The Group maintains insurance policies for its wind farms during their construction phase as well as their operating phase.

Accordingly, the Group takes out the following insurance policies for the construction phase of its wind projects:

- an insurance policy that covers various site risks (all-risk construction): for the construction period up to the acceptance of works, this insurance covers all participants in the construction process, including the funding bodies, as needed, and material damage, including fire, machinery breakdown, explosion of works (equipment and civil engineering) and the financial losses subsequent to material damage or a breakdown;
- transport insurance: in some cases, the Group chooses also to take out transport insurance that provides coverage for the material harm to goods transported (and related financial losses) that constitute so-called "strategic" transport; and
- "structural damage" insurance.

Moreover, the Group retains new insurance when the operating phase commences. This covers fires and related risks, machinery breakdown, operating losses, third-party operating liability and natural disasters.

The Group is protected by the policy coverage subscribed by its subcontractors, which cover the damaged items and other harm for which the contractors are responsible.

Moreover, the Group is protected by the policy coverage given by the suppliers of wind turbines, which cover the loss sustained in the event of the defective functioning of these turbines (including in particular operating losses related to malfunctioning of equipment and replacement costs for defective parts).

Nonetheless, this insurance can be subject to sizeable exemptions and no guarantee can be given as to whether the insurance policies of the Group are or shall be adequate to cover any losses from certain events. Moreover, the Group has not taken out "key employee" insurance and the Group's insurance policies are subject to annual revisions by the Group's insurers and the Group might be not in a position to maintain them or, at least, to maintain them at an acceptable cost. Likewise, the policy coverage underwritten by the subcontractors and suppliers can prove to be inadequate, difficult to implement or even ineffective if the co-contractor refuses or is not in a position to honor them. Should the Group have to sustain a sizeable damage partially or not insured or covered by insurance policies, the corresponding costs could have a marked adverse effect on its cash flows, financial position or results.

4.1.21 The Group may be in a position where it cannot protect its intellectual or industrial property rights

The Group is holder of or validly has certain rights to use intellectual and industrial property rights, especially for certain trademarks and domain names that it uses as part of its activities. The Group maintains a policy of consistently defending its intellectual and industrial property rights but cannot guarantee that the corporate procedures to protect its rights will be effective or that third parties will not infringe on or misappropriate its intellectual property rights.

Given the importance of recognition for the Group's trademarks, any infringement or misappropriation of this nature could have an adverse effect on the Group's business, operating income, financial position, or capacity to achieve its objectives.

4.1.22 The German subsidiary THEOLIA Naturenergien holds considerable debt with respect to its individual clients. The determination of THEOLIA Naturenergien's liability at the time of the sale of wind turbines to individual clients could have a negative effect on the Group's cash, financial position and results.

As part of its operating activity for third parties in Germany, the Company's German subsidiary, THEOLIA Naturenergien, pays a monthly remuneration to its clients based on the estimated production of electricity of each wind turbine. Since several years, this remuneration was greater than the production levels.

THEOLIA Naturenergien is currently pursuing the recovery of the overpayments to certain cleints. In certain cases, THEOLIA Naturenergien has been obliged to undertake legal procedures against reticent clients. Until now, the courts have welcomed these requests for reimbursement.

Nonetheless, some clients have sought compensation for the reimbursement request with damages and interest that would have been due on account of the supposedly fraudulent dealings committed by one former partner and the former managing director as well as a former associated company that had exclusivity on the turbine sales process in question.

These matters are ongoing and as such it cannot be ruled out that- depending on the facts and circumstances of each case- it may become evident that fraudulent dealings have been committed in curtained cases under the responsibility of the former partner and the former managing director of THEOLIA Naturenergien.

The case of the different requests from these clients depends mainly on the facts and circumstances specific to each wind turbine sale. Insofar as these facts and circumstances vary significantly from case to case, it is not possible to make a general conclusion on the ongoing legal actions. As a result, insofar as it is impossible to rule out the possibility that fraudulent dealings have been committed in the past with regard to certain people or that new cases in turn follow, it is not possible to reasonably measure the risk associated with the clients' claims for damages and interest.

THEOLIA Naturenergien is analyzing and closely following these different procedures and is undertaking claims toward the former exclusive partner and the former managing director as well as the former associated companies in order to prepare its eventual demands.

4.2 RISKS RELATED TO THE WIND SECTOR

4.2.1 Wind energy is heavily dependent on weather conditions. Adverse weather conditions, especially a drop in wind conditions, could lead to a reduction in the volume of electricity produced and sold by the Group and affect the sale price of wind farms and the profitability of its business to third parties.

The Group operates, for itself and third parties, wind farms that produce electricity. As of December 31, 2010, the revenue from the sale of electricity for its own account represented 24% of consolidated revenue and revenue from the operating activity for third parties represented 3% of consolidated revenue.

The profitability of a wind farm depends not only on the wind conditions observed onsite, but also the consistency between the wind conditions observed and the forecasts made during the project development phase. Prior the construction of a wind farm, a wind energy potential study is conducted on the site, and an independent consultancy firm prepares a report on the site's wind potential. This report serves as the basis for the assumptions used by the Group during the selection of sites and the positioning of turbines. The Group cannot guarantee that the weather conditions observed, in particular the wind conditions, will comply with the assumptions used during the wind project development phase.

The Group has set up daily monitoring and continuous reporting for the performance measurement of its wind farms. This will enable it to assess the development of operational conditions and form a tangible report for budget forecasts. This remote supervision of the operation of facilities also allows the frequency and duration of incidents to be limited, and thus achieve the best levels of availability.

A sustained drop in wind conditions on the Group's wind farms could lead to a reduction in the volume of electricity produced by the Group and a corresponding drop in value of wind farms. Such a decline in the production of electricity could have a marked adverse effect on the Group's cash flows.

A sustained drop in wind conditions would also have an impact on the Group's revenue drawn from its "Operation" activity (managing wind farms for third parties and sale of electricity sold by wind farms managed for third parties) insofar as this activity is largely dependent on the amount of the volume of electricity produced by the wind farms in question (the commissions collected by the Group from third parties are generally calculated based on a percentage of the revenue from wind farms in question, which, in some cases, apply only beyond a minimum amount).

The Group is particularly exposed to this risk due to the relative lack of geographical diversification of its wind farms compared with other sector participants and due to a greater dependence in relation to the French and German wind markets in particular. For instance, during 2010, poor wind conditions and bad winter weather in France and in Germany resulted in a reduction of sales from electricity for its own account and for third parties, which led to the non-observance of the financial covenants in France (see 4.1.2 above).

4.2.2 The development of renewable energy sources such as wind power is particularly dependent on national and international policies that support this development. A significant change in these policies could have a marked adverse impact on the Group's activities, financial position and results, or its capacity to achieve its objectives.

The development of renewable energy sources such as wind power depends to a considerable degree on government incentives that promote wind power. In many countries in which the Group is currently active or intends to be, wind power would not be commercially viable without government incentive policies. Indeed, the production cost of electricity from wind power currently exceeds the production costs from conventional energy sources and will continue to exceed these costs in the short term according to the Group.

In particular, the European Union and its founding member States – the countries in which the Group is most heavily concentrated – have been conducting active policies to support renewable energies for several years. These policies include purchasing obligations for renewable energies (such as a minimum purchase price pursuant to German legislation on renewable energies), or compulsory quotas imposed on historic producers/distributors (such as EDF in France), favorable purchase prices for electricity (such as the Wind Development Areas in France), green certificate systems (such as in Italy) which are marketable in organized or informal markets and tax incentive measures to encourage investment in this sector.

Even though a policy to support renewable energies has been constant during recent years and the European Union in particular regularly indicates its wish to pursue and to strengthen this policy, the Group cannot guarantee that it will continue and that the electricity produced by its future production sites will benefit from a legal obligation to purchase by the historic producers/distributors, or other support measures or tax incentives for the production of electricity from renewable energies. No guarantee can be given by the Company that such support will not be reduced in the future, as is the case with solar power.

Should international institutions (in particular the European Union) and national governments (in France and Germany in particular) abandon or reduce their support for the development of renewable energy sources – for instance, because of the costs related to measures supporting them or in order not to affect the market for other renewable energies – these actions could have a marked adverse effect on the Group's cash flows related to the sale of electricity, the profitability of its wind farms, its capacity to obtain financing for the development of wind projects and its cash flows related to the sales of wind farms.

4.2.3 The selection of future sites for establishing wind farms is subject to various restrictions. The inability of the Group to find appropriate sites to establish wind projects could have a marked adverse effect on the Group's business, financial position and operating income.

The selection of future sites to construct wind farms of the Group is subject to many criteria. First of all, the site must benefit from favorable wind conditions. Next, the site must meet various restrictions, in particular topographical and environmental restrictions (related in particular to the closeness of dwellings or sensitive or protected sites), various easements (in particular site access easements), and ease of connection to the local electric grid. Consequently, the number of available sites for these projects is of necessity limited.

In particular, concerning the turbines, the growth in the number of wind farms tends to restrict the number of sites available for this type of project, while at the same time the continuous growth of operators in this market for wind energy is intensifying the competition for the available sites. The high level of growth of wind farms established on German territory, where the Group is active, tends to reduce the number of potential sites. In France, also one of the main markets for the Group's activity, a wind farm must be situated in a Wind Farm Development Area in order to be eligible for the purchasing obligations at favorable prices for the electricity created from wind power.

Should the location restrictions be strengthened or should the Group not be in a position to find available sites for its development, this could have a marked adverse effect on the Group's capacity to develop wind projects. Such a limitation or such a decline could have a marked adverse effect on the Group's business, financial position and results, or its ability to achieve its objectives.

4.2.4 *The construction of a wind farm requires construction permits and operating authorizations. The Group might not obtain these permits or authorizations for projects in development, and third parties could start legal action against the permits or authorizations already obtained*

Obtaining construction permits and authorizations to operate from various national and local authorities is necessary for the construction and operation of a wind farm. Due to the plurality of the administrations involved, the process to obtain construction permits and authorizations to operate is often long and complex. In certain cases, third parties may initiate claims against certain building permit or authorization applications. The Group cannot guarantee that construction and operation permits will be obtained for the projects under development. Furthermore, for operational wind farms, renewing or extending the necessary authorizations is likely to be refused if the Group does not comply with the terms of said authorizations, to electricity sales contract stipulations, or applicable regulations. Lastly, in certain jurisdictions, especially in Italy, negotiations with nearby residents and local governments for authorizations to operate, or on which the wind farms are located, can be difficult and, in certain cases, lead to the payment of financial compensation to their benefit.

On December 31, 2010, in its project pipeline the Group had 343 MW of projects for which a permit or equivalent authorization had been filed and are under review, as well as five projects for 126 MW having obtained a permit, two of which in France for 27 MW definitively authorized and purged of all claims, and three projects in Italy for 99 MW purged of all claims.

In France, since 2008, the wind energy sector has faced a growing number of construction permit rejections and administrative claims from third parties against building permits already granted. As of December 31, 2010, a six wind turbine project was the subject of an administrative claim initiated by third parties in France.

In 2010, a new construction permit authorizing the construction of wind farms was granted to the Group and purged of all claims in France. In Italy, organizations composed of neighboring residents and those against the development of wind farms could continue to dispute the construction permits after they are granted.

However, the Company initiated several appeals against construction permit rejections against the Group. Furthermore, in Italy, where the claims against construction permits can be exercised beyond the normal deadlines (two months), a project representing a total of 21 MW is subject to a claim initiated by third parties and, on the date of publication of the present Management Report, the litigation was ongoing. The difficulty obtaining permits can significantly affect the Group's ability to develop and operate wind power plants in France and in Italy, which could consequently affect its revenues, income, and financial position and could result in increasing the Group's focus on its activities in Germany.

The Group develops its projects with the utmost care, in collaboration with the French State agencies and local governments concerned, as well as the political players and local associations, and makes use of the services of qualified experts. In Germany, the Group is looking to acquire projects that have construction permits that are free of all third party claims with developers whose role is, among other things, to perform all of the research and formalities and to obtain the necessary authorizations. However, the Group cannot guarantee that these measures will be sufficient to quickly obtain the construction permits required for the development of the Group's projects.

Failure to obtain construction permits or operating licenses or the introduction of third-party claims could lead to a depreciation of the Group's assets and have an adverse effect on the Group's ability to generate cash flow.

In addition, Law 2010-788 of July 12, 2010 regarding national commitment to the environment, also known as "Grenelle 2", was adopted. It provides for the creation of two new planning instruments for onshore wind turbines: the Regional Climate, Air and Energy Plan (Section 68 of the Law) and the Regional Wind Plan (Article 90 I of the Law). This proliferation of actors and planning tools will complicate installation procedures and increase the risk that the development cycle for wind projects will be lengthened. Moreover, under the terms of this law, wind turbines should not only require a construction permit but a permit pursuant to the installations classified for environmental protection policy (ICPE), which may also extend the development cycle of wind projects and open the possibility of further appeal to the administrative courts as described in Article 90 V, VI and VII of the Law during a period of six months. The law also stipulates that it is prohibited to build a wind farm within 500 meters of all "dwellings or areas intended for habitation"; nonetheless, this restriction should have no impact on the Group's projects as its internal development practices recommend greater distances. Transitional arrangements are provided for until the implementing decree comes into force. Finally, to benefit from the obligation to purchase, it is necessary for the production units to be composed of a minimum of five masts per wind farm which should have no impact on projects in development in the Group insofar as the projects generally include a higher number of masts.

4.2.5 The Group's activities are likely to harm the natural and human environment of the sites operated. The Group could incur sizeable costs related to a breach of environmental, health and safety laws and regulations.

The Group operates energy production sites, which are likely to present hindrances or hazards for the surrounding area, fauna and flora and more generally the surrounding natural habitat (e.g., open agricultural, forest and maritime spaces). These sites could also be the source of injuries, industrial accidents and harm to health and the environment. For instance, the blade of a wind turbine could break and fall to the ground. The Group cannot guarantee that its wind farms will not be the cause of pollution, hazards, environmental damage or injuries.

An act of sabotage or malicious damage committed on the Group's production site could have similar consequences to those described above: injuries and material damages, pollution or disruption of business.

If such events did occur, the Group's liability could be engaged for the reparation of damages or loss caused by its energy production sites, which could have a marked adverse effect on the Group's cash flows, financial position, reputation and public image.

4.2.6 Some people, associations and groups of people are opposed to wind projects. The wind energy industry could be less accepted by local populations, and the Group's wind projects could be disputed legally with greater frequency and create adverse consequences.

Some people, associations or groups of people oppose the implementation of wind projects, citing visual pollution of the landscape, noise disturbance, damage to birds and more generally an affront to their environment.

Although the development of a wind farm usually requires an environmental impact study and, in France, a public inquiry before a construction permit is issued, the Group cannot guarantee that a wind farm under construction or in operation will be authorized or accepted by the population in question.

If any part of the population opposes the construction of a wind farm, it could be more difficult to obtain the construction permits required. In France and Italy in particular, a growing number of groups are actively opposed to wind farms. This may have implications on obtaining construction permits and delays in development of wind projects. These actions may also lead to the cancellation of the permit or, in some cases, the decommissioning of an existing wind farm. To date, the Group is the target of third-party claims for projects in France, Germany and Italy.

Moreover, the opposition of the local population can lead to the adoption of new, more restrictive regulations that apply to the installation of wind farms, in particular, their proximity to residential areas.

To limit this risk, the Group engages in many actions throughout the development process: it is present at the representative bodies of the population in the early stages of prospecting and diagnosis to control all these dimensions; while the technical studies are being conducted, it holds regular meetings with the inhabitants and State agencies to inform concerned residents and to promote the acceptability of the project; there are broad reflections and consultations during the development phase concerning the project's impact on the environment; close relationships with local and national politicians are maintained in order to encourage their acceptance of new wind projects in their territory.

Challenges by the local population, the increase in the number of lawsuits, or an unfavorable outcome to the Group from such actions could have a significant negative effect on the costs of compliance with laws and regulations, production of wind power, and the ability to develop and market wind farms. Each of these elements could have a material adverse effect on the Group's business, financial situation and results.

4.2.7 The Group’s revenue from the sale of electricity depends significantly on the sale price of wind electricity. The guaranteed rates implemented by the regulation authorities, the market prices and/or the prices of green certificates could prevent the maintenance of adequate levels of remuneration to achieve the projected profit margins for the Group’s wind farms being operated and could also affect the completion of projects underway.

At December 31, 2010, the sale of electricity from wind farms operated for own account by the Group represented 24.3% of consolidated revenue and revenue from the Operation activity accounted for 3.2% of gross consolidated revenue. In addition, the revenue from Development, construction, sale activity represented 71.6% of consolidated revenue on December 31, 2010. Group revenue from the sale of electricity produced by its wind farms, as well as the sale of wind farms, depend in particular on the price at which electricity can be sold. Depending on the country, sale prices are established, either in whole or in part, by regulatory authorities in the form of guaranteed rates, or by the market. When prices are established in the form of guaranteed rates, sales are usually governed by long-term agreements. Fixing rates may result in administrative challenges or judicial proceedings that may delay the application of modified rates or cause them to be cancelled. In France, in 2001 and 2006, the Commission for Energy Regulation published opinions unfavorable to rates for electricity generated from wind, stating that these rates were bringing undue income to producers. These opinions were merely consultative in nature and did not prevent the entry into force of the rates in question.

In France and Germany, where the Group conducts the vast majority of its electricity sales, the Group has entered into long-term electricity sales agreements at a rate set by the regulatory authorities for the farms in operation. Any decision by the authorities to amend the fixed rates could have a material adverse effect on cash flow and the income of the Group's existing wind farms, although the risk of unilateral rate change for projects already commissioned or in service seems highly theoretical. In addition, these purchasing rates fluctuate based on determined indices. Accordingly, for example, the purchase price in Euros/MWh increased from 81.05 in 2010 to 81.89 in 2011 in France.

No assurance can be given by the Group that the regulated rates and market prices applicable in each country in which it operates or intends to operate will always reach a level that ensures the Group's profitability margins as initially projected when the project is being financed. These fluctuations in electricity prices could have a material adverse effect on the cash and income from the Group's wind farms, the financial position, the Group's ability to complete its projects under development, the sale price of wind farms to third parties, and the Group's ability to meet its financial obligations.

In other countries where the Group is developing wind projects and benefiting from rates set by the local regulatory authority (Italy and Brazil), lower market prices for electricity sales and/or green certificates could change the financial parameters of the Group's wind projects under development.

Thus in Italy a recent legislative decree on March 7, 2011 established:

- a modification of the method of calculating the price of green certificates for the period 2013 to 2015;
- the substitution of green certificates by a fixed rate beyond that period; and
- a fixed feed-in tariff system set by auction for projects commissioned in 2013 or thereafter.

The fixed tariff will be applicable from January 1, 2016 for wind farms commissioned after December 31, 2012 and the auction terms that will be applicable for those wind farms after that date have not yet been determined and will be subject to a second decree that should appear before the end of first half of 2011.

As a result of this legislative uncertainty that began less than a year ago, most banks have decided not to commit to financing wind farm projects before the completion of the tariff reform.

This lag in securing project financing delays the signature of supplier contracts which subsequently slows down the completion of wind farms. A delay in the construction possibly generates a risk of going beyond the construction permit's expiry date when an extension has not been granted. The Bovino project is an example of this problem.

4.2.8 The demand for electricity power plants that generate electricity from renewable energy sources like wind depends partly on the production cost of the energy from renewable energy compared to the cost of the electricity from conventional energy sources

The demand for power plants that produce electricity from renewable energies, and in particular wind power, depends, among other things, on the cost of the electricity produced from other energy sources. The cost of wind energy varies mainly depending on the cost of construction, financing and maintenance of the sites concerned and on weather conditions. The conditions of access to an oil, coal, gas and other fossil fuel supply and uranium are key factors determining the interest in finding other energies rather than renewable energies, and in particular wind power. It is for this reason that the production cost of the electricity from wind power currently exceeds the production costs of electricity from conventional energy sources.

Moreover, a decline in the competitiveness of wind electricity in terms of production price or the implementation of technological progress concerning other renewable sources, the discovery of new large deposits of oil, gas or coal or a reduction in prices of oil, gas, coal or other renewable energies, could provoke a slowdown, or even a reduction in the demand for wind power, which could have a marked adverse effect on the Group's business, financial position and results and its capacity to complete its objectives.

4.2.9 The Group is subject to strict international, national and local rules relating to the development and operation of wind projects. Under these conditions, the Group is subject to the sizeable regulatory compliance costs.

The Group runs its business in a highly regulated environment. The Group, its wind farms in operation and its projects being developed must comply with the many laws and regulations which differ from one country to another. In particular, the Group, its wind farms and its projects are subject to strict international, national and local rules relating to:

- the protection of the environment (including landscape conservation and regulations relating to sound pollution);
- the development of wind projects in particular require the obtaining of easements and the granting of construction permits and other authorizations for their operation; and
- the operation of a wind farm that involves the observance of regulations applicable to producers of electricity and to their connection to distribution grids.

Sizeable expenses related to the obtaining and the observance of the various permits and authorization are thus undertaken by the Group. Taking into consideration the increasing importance of the renewable energies sector in the European Union, the legal and regulatory requirements for development of wind farms could be strengthened. Also, the conditions for granting these permits and authorizations could become stricter and the costs for compliance with the legal or regulatory arrangements could increase. Consequently, the Group's operational cash flow could fall and higher levels of profitability could be needed to guarantee a return on investment.

A strengthening of regulations or their implementation could lead new restriction on the Group's activities that are likely to increase its investment expenses or its compliance costs (for instance the implementation of procedures or controls and of additional monitoring), or the extension of the development deadlines for its projects (see in particular paragraph 4.2.4 as regards the "Grenelle II" bill in France).

Any change in applicable regulations is likely to affect the Group negatively and there cannot be any guarantee regarding the Group's capacity to deal with these new obligations. If the Group or its projects do not comply with its obligations, the Group's construction or connection rights could be challenged. In addition, the regulation authorities could impose fines or other sanctions likely to affect the Group's profitability or harm its reputation. In any case, this could have a marked effect on the Group's business, results or its capacity to achieve its objectives.

5. CORPORATE GOVERNANCE

5.1 MIDDLENEXT RECOMMENDATIONS

Starting with the 2008 financial year, the Company voluntarily adopted the recommendations of the AFEP-MEDEF Corporate Governance Code for Listed Companies, dated October 6, 2008.

At its December 1, 2010 meeting, the Board of Directors decided to comply with the MiddleNext Code of Corporate Governance for small- and medium-cap companies, a referential that, without improperly estimating the expectations of investors in terms of good governance, is better adapted to the size of the Company and the composition of its body of shareholders.

The Company applies the fifteen recommendations of the MiddleNext Code.

The Board states that it has reviewed the points of vigilance presented in the MiddleNext Code.

5.2 COMPOSITION OF CORPORATE BODIES

5.2.1 Board of Directors

As of the date of this Management Report, the THEOLIA Board of Directors is comprised of six members:

- Michel Meeus, director and Chairman of the Board of Directors;
- Fady Khallouf, director and CEO;
- Philippe Dominati, director;
- David Fitoussi, director;
- Georgius J.M. Hersbach, director; and
- Jean-Pierre Mattei, director.

5.2.2 Board of Directors' Committees

During 2010, the Board of Directors made three specialized committees responsible for preparing its deliberations: the Audit Committee, the Strategic Committee, and the Nomination and Remuneration Committee. The Strategic Committee was dissolved per a decision made by the Board of Directors on July 26, 2010.

The composition as well as the tasks and activities of these committees are specified in the 2010 Board of Directors' Chairman Report regarding corporate governance, internal control procedures, and risk management in Note 1 of this Management Report.

5.2.3 General Management

The Board of Directors decided to separate the offices of Chairman and Chief Executive Officer to adopt a form of corporate governance that complies with best market practices. Fady Khallouf was appointed CEO of THEOLIA on May 20, 2010 and Michel Meeus succeeded Eric Peugeot, who resigned, as Chairman of the Board of Directors on July 26, 2010.

Jean-François Azam and François Rivière, who have held the offices of Executive Vice President of Operations and Executive Vice President of Finance, respectively, since February 9, 2010, resigned from their offices on July 23 and 26, 2010 upon the completion of the financial restructuring.

5.3 BOARD OF DIRECTORS INTERNAL RULES AND REGULATIONS

These Internal Rules were adopted by the Board of Directors at their meeting on April 14, 2006 and were later amended on February 6, 2007, July 2, 2007, December 18, 2008, April 15, 2010 and April 18, 2011.Their purpose is to supplement the laws, regulations, and bylaws to which this corporate body as a whole and the directors, in particular, are bound.

Given the major changes in governance occurring in 2010 and the adoption of a new code of governance model, the Board of Directors, at its meeting on April 18, 2011, amended its Internal Rules and Regulations to recognize, in particular, the cancellation of the Strategy Committee, the updating of the rules limiting the CEO's authority, the criteria defining independent Directors, and the rules for determining Directors' compensation.

The complete text of Internal Rules and Regulations is found in the 2010 Board of Directors' Chairman Report regarding corporate governance, internal control procedures, and risk management (see Note 1 of this Management Report).

5.4 OFFICES AND FUNCTIONS OF THE CORPORATE OFFICERS

5.4.1 Directors

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group	Main Positions Previously Held Outside the Group Over the Past Five Years
Philippe DOMINATI * (2) 15 rue Vaugirard 75291 Paris Cedex 06, France 57 years old	GM on June 11, 2009	GM convened to approve the financial statements for the financial year ending December 31, 2011	None	Director of THEOLIA Member of the Audit Committee Chairman of the Nomination and Remuneration Committee from July 26 to December 1, 2010 Director of Maestrale Green Energy Srl (1) from March 24, 2010 to September 6, 2010	French Senator Alternate Vice Chairman of the Supervisory Board of Téléperformance SA Member of the Compensation Committee of Téléperformance SA Chairman of the Supervisory Board of Téléperformance France Manager of Isado SARL	Director of SLE Caisse d'Epargne Ile de France
David FITOUSSI * 2 Cranley Place SW7 3AB London, United Kingdom 29 years old	GM on July 26, 2010 (3)	GM convened to approve the financial statements for the financial year ending December 31, 2011	None	Director of THEOLIA Chairman of the Audit Committee	Director of Christofferson Robb & Company LLP (1) Portfolio Manager of CRC Active Value Fund (1)	None

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group	Main Positions Previously Held Outside the Group Over the Past Five Years
Georgius J.M. HERSBACH Nieuw Loosdrechtsedijk 227 - 1231 KV Loosdrecht, Netherlands 58 years old	GM on April 14, 2006	GM convened to approve the financial statements for the financial year ending December 31, 2011	None	Director of THEOLIA Member of the Nomination and Remuneration Committee Member of the Supervisory Board of ecolutions GmbH & Co. KGaA (1)	Chairman and Managing Director of Heartstream Group B.V. (1) Chairman and Managing Director of Heartstream Corporate Finance B.V. (1) Chairman and Managing Director of Heartstream Capital B.V. (1) Member of the Board of directors of NovaRay Medical, Inc. (1) Member of the Strategic Committee of UE CIP	Vice Chairman of the Supervisory Board of Global Interface SA
Jean Pierre MATTEI * (2) 34 avenue Montaigne - 75008 Paris, France 61 years old	GM on September 22, 2009	GM convened to approve the financial statements for the financial year ending December 31, 2011	None	Director of THEOLIA Vice Chairman of the THEOLIA Board of Directors Member of the Audit Committee	Member of the Paris Bar Director of Groupe Floirat SA, Petites Affiches SA, and La Gazette du Palais	Director of Banque Palatine Director of Eurotunnel Group Chairman of SAS Fimopar (Financière Immobilière Participations)
Michel MEEUS 1, Escalier de l'Inzernia - 98000 Monaco, Monaco 58 years old	GSM on March 19, 2010	GM convened to approve the financial statements for the financial year ending December 31, 2012	Chairman of the Board of Directors since July 26, 2010	Chairman of the THEOLIA Board of Directors Director of THEOLIA Member of the Nomination and Remuneration Committee	Director of Alcofinance SA (1), Alcogroup SA (1), Alcofina SAM (1) and S.A.D. SA (Société des Alcools Dénaturés). Executive Director of Alcodis SA (1) [via Solis Mngt & Consulting SA (1)]	None

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group	Main Positions Previously Held Outside the Group Over the Past Five Years
Fady KHALLOUF 75, rue Denis Papin 13100 Aix en Provence, France 50 years old	GSM on March 19, 2010	GM convened to approve the financial statements for the financial year ending December 31, 2012	CEO since May 20, 2010	CEO of THEOLIA Director of THEOLIA Chairman of SAS Seres Environnement Chairman and Managing Director of Therbio SA, Ecoval 30 SA, La Compagnie Eolienne du Détroit (1), THEOLIA Emerging Markets (1), THEOLIA Maroc (1), THEOLIA Maroc Services (1) and Tanger Med Wind (1) Managing Director of Windream One Chairman of the Board and director of Maestrale Green Energy Srl (1) Geschäftsführer of THEOLIA Holding GmbH (1) et THEOLIA Naturenergien GmbH (1) Member of the Supervisory Board of ecolutions GmbH & Co. KGaA(1)	None	Appointed Director of Tecnimont Group (1) Director of Strategy and Development for Edison Group(1) Director of Edipower (1), Edison Trading (1), Edison Energia (1), International Water Holdings (1)

* *Independent directors*

(1) *Foreign companies*

(2) *The Board decided that the existence of the special long-term temporary employment contracts concluded by the Company with Messrs. Dominati and Mattei did not lead to any questioning of their independence insofar as the amounts that they were paid are not treated as compensation but constitute payments corresponding to the duties entrusted to them under special circumstances that by their nature do not generate conflicts of interest, but rather an extension of their role as director. The special duties assigned to these directors ended on August 31, 2010.*

(3) *The appointment of David Fitoussi was ratified by the Ordinary General Meeting of December 17, 2010, in accordance with the stipulations in article L. 225-24 of the French Commercial Code (Code de Commerce).*

The table below shows the offices and functions carried out during past five years by the Company directors who held corporate offices during 2010 but no longer hold them at the time of publication of this Management Report.

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group Over the Past Five Years
Gérard CREUZET * 8, rue Duguay-Trouin 75006 Paris, France 58 years old	GSM on March 19, 2010	September 14, 2010	None	Director of THEOLIA Chairman of the Strategic Committee until July 26, 2010	Chairman of the Board of Directors of EDF Développement Environnement and EDF-Trading Director of EDF-International, EDF-Energy, and Martec Group Member of the Supervisory Board of Dalkia Chairman of SAS des Polymères Barre Thomas Chairman's Council of Veolia Environnement SA
Louis FERRAN * Chalet DIVA 5 - 32 Route de Sommets de Crans - Canton du Valais - 3963 Crans – Montana, Switzerland 65 years old	GM on April 14, 2006	September 14, 2010	None	Vice Chairman of the THEOLIA Board of Directors Director of THEOLIA Chairman of the Nomination and Remuneration Committee until June 1, 2010 – member said committee until July 26, 2010	Director of Granit SA Director and Managing Director of Rocimmo SA (1), Alfy SA (1), Mavirofe SA (1), Piasdi SA (1)and DBI Helvetia (1)
Philippe LEROY * 88, rue de l'Université - 75007 Paris, France 52 years old	Board of Directors Meeting of November 6, 2009	September 14, 2010	None	Director of THEOLIA Chairman of the Audit Committee until July 26, 2010	Chairman and Managing Director of Détroyat & Associés Director of 1855 SA
Éric PEUGEOT Le Four à pain, 4 chemin des Palins 1273 Le Muids - Switzerland 55 years old	GM on April 14, 2006	July 26, 2010	Chairman of the THEOLIA Board of Directors from September 29, 2008 to July26, 2010 CEO from February 9, 2010 to May 20, 2010	Chairman of the Board of Directors Director of THEOLIA	Chairman and Director of Peugeot Belgique (1) Chairman of Peugeot Nederland NV (1) Chairman and Director of Peugeot Portugal Automoveis (1) Director of Les Établissements Peugeot Frères SA, La Française de Participations Financières SA, Immeubles et Participations de l'Est SA, SKF France SA and HESTIUN Group (1)

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group Over the Past Five Years
MARC VAN'T NOORDENDE Pailler de Lacan 30460 Vabres, France 52 years old	GM on June 11, 2009	March 19, 2010	CEO from September 29, 2008 to February 9, 2010 Director from June 11, 2009 to March 19, 2010	CEO and director of THEOLIA Permanent Representative of THEOLIA (Chairman), within Ecoval Technology SAS Chairman of the Board and director of Maestrale Green Energy(1) Director of THEOLIA Emerging Markets(1), THEOLIA Maroc(1), Tanger Med Wind(1), and THEOLIA Maroc Services(1) *Geschäftsführer* of THEOLIA Holding GmbH(1) and THEOLIA Naturenergien GmbH(1) Permanent Representative of THEOLIA (member of the Supervisory Board) within ecolutions GmbH & Co. KGaA(1)	Managing Director of Operations and Member of the Executive Committee of Essent N.V. (1) Member of the Supervisory Board of SWB A.G. (1) Member of the Supervisory Board of Endex N.V. (1) Member of the Board of directors of VNO/NCW(1) Chairman of WENB(1) Chairman of CAIW(1) Director of STT(1)

* *Independent directors*
(1) *Foreign companies*

5.4.2 Chief Executive Officer and Deputy Managing Directors

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group Over the Past Five Years
Fady KHALLOUF	See paragraph 5.4.1 above				

The table below shows the offices held during the past five years by the CEO and Deputy Managing Directors of the Company who held corporate offices during 2010 but no longer hold them at the time of publication of this Management Report.

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group Over the Past Five Years
Jean-François AZAM 75 rue Denis Papin, 13100 Aix-en-Provence, France	February 09, 2010	July 23, 2010	Deputy Managing Director of Operations	Chairman, Managing Director, and Director of THEOLIA Emerging Markets[1], Compagnie Eolienne du Détroit[1], THEOLIA Maroc[1], Tanger Med Wind[1], THEOLIA Maroc Services[1] Executive Manager of some project support companies held by the Group in France Geschäftsführer of THEOLIA Naturenergien GmbH[1], THEOLIA Holding GmbH[1], THEOLIA Deutschland GmbH[1], THEOLIA Windpark 1 Management GmbH[1] Director of Maestrale Green Energy[1]	Managing Director of Ginger Bâtiments d'Activités SAS
Olivier DUBOIS 75 rue Denis Papin, 13100 Aix-en-Provence, France	May 1, 2009	February 9, 2010	Deputy Managing Director	Director of Maestrale Green Energy[1] *Geschäftsführer* of THEOLIA Holding[1] and THEOLIA Naturenergien GmbH[1] Director of THEOLIA Emerging Markets[1] Chairman of Ecoval 30	Managing Director and CFO, Member of the Executive Committee of Technip Director and Deputy Managing Director of Spie Group Director and Chairman of the Audit Committee of Meilleurstaux.com
François RIVIERE 75 rue Denis Papin, 13100 Aix-en-Provence, France	February 9, 2010	July 26, 2010	Deputy Managing Director of Finance	Managing Director of Windream One Chairman and Managing Director and Director of Therbio SA and Ecoval 30 Managing Director of Centrale Eolienne de Fruges La Palette	Managing Director of V.E.V Chairman and Managing Director of S.G.Q. Chairman and Managing Director of Lainière Holding Voluntary Receiver of Pingouin SA Chairman and Managing Director of Intexal Participations International Chairman and Managing Director of V.E.V. Services Chairman of the Belair Group Manager of FL Senoch

First and Last name, Address, Age	Initial Date of Appointment	Term Expiration Date	Office Held in the Company	Main Positions Held within the Group	Main Positions Held Outside the Group Over the Past Five Years
MARC VAN'T NOORDENDE	See paragraph 5.4.1 above				

5.5 COMPENSATION OF THE COMPANY'S EXECUTIVE MANAGERS

5.5.1 Summary table of compensation, options, and shares granted to each executive manager (in thousands of euros)

The following tables are prepared in accordance with the MiddleNext Code of Corporate Governance. They exhaustively detail the President, CEO, and Deputy Managing Directors' sum of compensation paid and benefits in kind granted by the Company and its subsidiaries during the year ending December 31, 2010 in a reasoned, coherent, readable, and transparent manner.

Chairman of the Board of Directors

Michel Meeus, Chairman since July 26, 2010	2009	2010
Cash Compensation	-	
Compensation Owed for the Year (director's fees)	-	30
Other Non-Cash Allocations	-	
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	-	**30**

Eric Peugeot, Chairman from September 29, 2008 to July 26, 2010	2009	2010
Cash Compensation		
Compensation Owed for the Year (director's fees)	97	130
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	**97**	**130**

CEO

Fady Khallouf, CEO since May 20, 2010	2009	2010
Cash Compensation		
Compensation owed for the year (fixed portion)	-	186
Compensation owed for the year (variable or exceptional portion)	-	328 (1)
Total	-	**514**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	(2)
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	N/A	**514**

Eric Peugeot, CEO from February 9, 2010 to May 20, 2010	2009	2010
Cash Compensation		
Compensation owed for the year (fixed portion)	-	-
Compensation owed for the year (variable or exceptional portion)	-	-
Total	-	-
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	553
TOTAL	N/A	**553**

Marc van't Noordende, CEO from September 29, 2008 to February 9, 2010	2009	2010
Cash Compensation		
Compensation owed for the year (fixed portion)	572 (3)	53
Compensation owed for the year (variable or exceptional portion)	(4)	-
Total	**683**	**53**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	2,188	-
TOTAL	**2,760**	**53**

(1) *Breakdown of compensation is as follows: 100,000 euros as an advance on variable compensation for 2010 and 227,712 euros as a bonus following the successful completion of the Capital Increase*

(2) *On December 1, 2010, the Board of Directors decided to grant 1,500,000 stock options to Fady Khallouf in his capacity as CEO subject to performance terms. The valuation of the stock options granted throughout the year is currently being determined.*

(3) *Of which 275,000 euros for transitional management. Amount excluding taxes.*

(4) *Given the terms under which Marc van't Noordende left his position in February, 2010, the Company did not pay additional compensation for the 2009 variable portion. Applying the principle of prudence, however, the Company had made a provision for the sum of 111,000 euros for this purpose in its consolidated financial statements as of December 31, 2009. Marc van't Noordende had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of 129,398 euros (plus the legal interest rate from August 1, 2010) for his additional variable compensation for 2009. Under the terms of a transaction memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding; including variable compensation claims by Marc van't Noordende for 2009 (see details in paragraph 7.2 of this Report).*

Deputy Managing Directors

Jean-François Azam, Managing Director of Operations from February 9, 2010 to July 23, 2010	**2009**	**2010**
Cash Compensation		
Compensation owed for the year (fixed portion)	-	102
Compensation owed for the year (variable or exceptional portion)	-	-
Total	-	**102**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	N/A	**102**

François Rivière, Managing Director in Charge of Finance from February 9, 2010 to July 26, 2010	**2009**	**2010**
Cash Compensation		
Compensation owed for the year (fixed portion)	-	154
Compensation owed for the year (variable or exceptional portion)	-	415 (5)
Total	-	**569**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	N/A	**569**

Olivier Dubois, Managing Director from May 1, 2009 to February 9, 2010	**2009**	**2010**
Cash Compensation		
Compensation owed for the year (fixed portion)	133	27
Compensation owed for the year (variable or exceptional portion)	(6)	-
Total	**173**	**27**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	1,047	-
TOTAL	**1,180**	**27**

(5) *Breakdown of compensation is as follows: 96,667 euros as compensation for non-competition, 92,800 euros as a signing bonus, and 225,195 euros as transactional compensation.*

(6) *Given the terms under which Olivier Dubois left his position in February, 2010, the Company did not pay additional compensation for 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of 40,000 euros for this purpose in its consolidated financial statements as of December 31, 2009. Olivier Dubois had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of 49,334 euros (plus interest at the legal rate from August 1, 2010) for his additional variable compensation for 2009. Under the terms of a transaction memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding; including variable compensation claims by Olivier Dubois for 2009 (see details in paragraph 7.2 of this Report).*

It is noted that the valuations of options (stock options) and performance shares (free shares) allocated during the year do not constitute cash compensation and have no impact on the Group's cash flow.

The valuation of the performance shares is determined on the allocation date, 3.07 euros for the 180,000 free shares allocated on February 22, 2010, 3.40 euros for the shares granted on December 17, 2009 (these shares being allocated under performance and attendance terms; the probability of their being allocated was estimated at 77%, and the share value was reduced proportionally), and 3.12 euros for the 199,426 shares allocated on June 11, 2009. It is noted that the THEOLIA share price amounted to 2.91 euros at closing on December 31, 2009.

The valuation of share purchase and subscription options is performed on the allocation date using the Black and Scholes model or, as appropriate, the model developed by J. Hull and A. White to determine the fair value of the option.

5.5.2 Summary table of compensation for each Executive Manager (in thousands of euros)

Chairman of the Board of Directors

Michel Meeus Chairman since July 26, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	n/a	n/a	-	-
Variable Compensation	n/a	n/a	-	-
Exceptional Compensation	n/a	n/a	-	-
Directors' Fees	n/a	n/a	30	21
Benefits in-Kind	N/A	n/a	-	-
TOTAL	**-**	**-**	**30**	**21**

Eric Peugeot Chairman from September 29, 2008 to July 26, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	-	-	-	-
Variable Compensation	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	97	76	130	151
Benefits in-Kind	-	-	-	-
Total	**97**	**76**	**130**	**151**

CEO

Fady Khallouf CEO since May 20, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	n/a	n/a	185	185
Variable Compensation	n/a	n/a	100	100
Exceptional Compensation	n/a	n/a	228	228
Directors' Fees	n/a	n/a	(1)	(1)
Benefits in-Kind	n/a	n/a	1	1
Stock options	n/a	n/a	(2)	(5)
Total	**-**	**-**	**514**	**514**

Eric Peugeot CEO from February 9, 2010 to May 20, 2010	**Values for 2009**		**Values for 2010**	
	Owed	Paid	Owed	Paid
Fixed Compensation	n/a	n/a	-	-
Variable Compensation	n/a	n/a	-	-
Exceptional Compensation	n/a	n/a	-	-
Directors' Fees	n/a	n/a	-	-
Benefits in-Kind	n/a	n/a	-	-
Total	**-**	**-**	**0**	**0**

Marc van't Noordende CEO from September 29, 2008 to February 9, 2010	**Values for 2009**		**Values for 2010**	
	Owed	Paid	Owed	Paid
Fixed Compensation (3)	275 (3)	275 (3)	-	-
Variable Compensation	297	297	52	52
Exceptional Compensation	(4)	-	-	-
Fixed Compensation	-	-	-	-
Directors' Fees	-	-	(5)	(5)
Benefits in-Kind	3	3	1	1
Total	**575**	**575**	**53**	**53**

(1) *Prior to his appointment as CEO on May 20, 2010, Fady Khallouf received directors' fees in his capacity as director for the period from March 19, 2010 to May 20, 2010 (see details in paragraph 5.6.1 below).*

(2) *On December 1, 2010, the Board of Directors decided to grant 1,500,000 stock options to Fady Khallouf in his capacity as CEO subject to performance terms. No option could be exercised during the year ended December 31, 2010 (see details in paragraph 5.5.4 below).*

(3) *As part of a transition management service agreement. Amount excluding taxes.*

(4) *Given the terms under which Marc van't Noordende and Olivier Dubois left their positions in February, 2010, the Company did not pay additional variable compensation for 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of 111,000 euros for Mr. van't Noordende and 40,000 euros for Mr. Dubois for this purpose in its consolidated financial statements as of December 31, 2009. Messrs. van't Noordende and Dubois had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of 129,398 euros and 49,334 euros (plus interest at the legal rate from August 1, 2010) respectively, for their 2009 additional variable compensation. Under the terms of a transaction memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding, including variable compensation claims by Messrs. van't Noordende and Dubois for 2009 (see details in paragraph 7.2 of this Report).*

(5) *Subsequent to his removal as CEO on February 9, 2010, Marc van't Noordende received directors' fees for his term as director for the period from February 10, 2010 to March 19, 2010, when his office ended (see details in paragraph 5.6.1 below).*

Deputy Managing Director

Jean-François Azam Deputy Managing Director of Operations from February 9, 2010 to July 23, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	n/a	n/a	99	99
Variable Compensation	n/a	n/a	-	-
Exceptional Compensation	n/a	n/a	-	-
Directors' Fees	n/a	n/a	-	-
Benefits in-Kind	n/a	n/a	3	3
Total	**-**	**-**	**102**	**102**

François Rivière Deputy Managing Director of Finance from February 9, 2010 to July 26, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	n/a	n/a	134	134
Variable Compensation	n/a	n/a	0	0
Exceptional Compensation	n/a	n/a	415	415
Directors' Fees	n/a	n/a	-	-
Benefits in-Kind	n/a	n/a	20	20
Total	**-**	**-**	**569**	**569**

Olivier Dubois Deputy Managing Director from May 1, 2009 to February 9, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	133	133	26	26
Variable Compensation	(4) above	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in-Kind	2	2	1	1
Total	**135**	**135**	**27**	**27**

5.5.3 Directors' fees allocated to each Executive Manager (in thousands of euros)

	Directors' fees allocated for 2009	Directors' fees allocated for 2010
Chairman of the Board of Directors		
Michel Meeus, Chairman since July 26, 2010	n/a	30
Eric Peugeot, Chairman from September 29, 2008 to July 26, 2010	97	130
CEO		
Fady Khallouf, CEO since May 20, 2010	n/a	(1)
Eric Peugeot, CEO from February 9, 2010 to May 20, 2010	n/a	n/a
Marc van't Noordende, CEO from September 29, 2008 to February 9, 2010	n/a	(2)
Deputy Managing Directors		
Jean-François Azam, Deputy Managing Director of Operations from February 9, 2010 to July 23, 2010 (non-director)	n/a	n/a
François Rivière, Deputy Managing Director of Finance from February 9, 2010 to July 26, 2010 (non-director)	n/a	n/a
Olivier Dubois, Deputy Managing Director from May 1, 2009 to February 9, 2010 (non-director)	n/a	n/a
TOTAL	**97**	**160**

(1) *Prior to his appointment as CEO on May 20, 2010, Fady Khallouf received directors' fees in his capacity as director for the period from March 19, 2010 to May 20, 2010 (see details in paragraph 5.6.1 below).*

(2) *Subsequent to his removal as CEO on February 9, 2010, Marc van't Noordende received directors' fees for his term as director for the period from February 10, 2010 to March 19, 2010, when his term ended (see details in paragraph 5.6.1 below).*

Since September 29, 2008, the Company implemented a fixed compensation system for directors based solely on directors' fees. In 2010, some directors received exceptional compensation (see details in paragraph 5.6.3 below).

5.5.4 Stock options

After receiving approval from the Nomination and Remuneration Committee on December 1, 2010, the Board of Directors, based on the delegation granted by the Shareholders' Meeting of May 30, 2008, decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as CEO subject to performance terms. The performance terms are as follows:

- 100,000 (approximately 6.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €1.80;

- 300,000 (20%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €2.50;
- 200,000 (approximately 13.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €3.00;
- 400,000 (approximately 26.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €3.50; and
- 500,000 (approximately 33.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €5.00.

These stock options can be exercised at any time for one year following a four-year vesting period following the date the stock options are granted by the Board of Directors, in this case until December 1, 2015, subject to performance terms and specific rules concerning the termination of functions as CEO.

In the event that, for whatever reason, the functions of the CEO of the Company cease, the following principles will apply:

- if termination occurs before the end of the Tax Unavailability Period (for each Option, a lockup period of four years from the allocation date as per article 163 bis C of the French General Tax Code), the stock options shall:
    - automatically become exercisable from the date of termination, subject to and for the amount of the achievement of performance terms on the exercise date, and
    - remain exercisable until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void; and
- if termination occurs after the end of the Tax Unavailability Period, the stock options shall remain exercisable:
    - after the date of termination, subject to and for the amount of the achievement of performance terms on the exercise date;
    - until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void.

The exercise price will correspond to the lower amount between €1.40 and the undiscounted market price (average of market prices for the 20 days preceding the day of the decision by the Board of Directors).

Finally, 50% of the shares from the exercise of stock options will be retained by the CEO and recorded as registered shares for the remainder of his or her term (see Chapter 3, note 22 of this Report).

5.5.5 Free shares

Summarized below are the free shares allocated by the Company to Executive Managers during 2010 (with the understanding that no further free shares became available to them during 2010):

CEO	**Fady Khallouf,** since July 26, 2010	**Eric Peugeot,** from February 9, 2010 to May 20, 2010	**Marc van't Noordende,** from September 29, 2008 to February 9, 2010
Plan Date	-	2009/2011	-
Allocation Date(s)	-	February 22, 2010	-
Number of Free Shares Allocated During the Year	-	180,000	-
Valuation of Shares According to the Method Used for the Consolidated Financial Statements (in thousands of euros)	-	553	-
Allocation Date	-	February 22, 2012	-
Availability Date	-	February 22, 2014	-
Performance terms	-	Yes for 100,000 shares (final completion of capital increase)	-

On February 22, 2010, the Company's Board of Directors decided to allocate 180,000 bonus shares to Eric Peugeot under the following terms:

- 100,000 bonus shares upon final completion of the capital increase between €45 million and €100 million as part of the financial restructuring transaction, no later than August 31, 2010; and
- 80,000 bonus shares without performance terms of which 50,000 under attendance terms on June 30, 2010 and 30,000 under attendance terms on December 31, 2010 for the compensation of Eric Peugeot as CEO for 2010.

Following Eric Peugeot's resignation from the position of director and Chairman at the meeting on July 26, 2010, the Board of Directors unanimously decided to (i) declare that the capital increase and the Company financial restructuring plan had been fully achieved on July 20, 2010 and that, consequently, the condition for the allocation of 100,000 bonus shares to Eric Peugeot for the success of the financial restructuring transaction was completed; (ii) waive the attendance terms affecting the 80,000 additional bonus shares allocated on February 22, 2010, given the considerable work done by Eric Peugeot from February 9, 2010 to May 20, 2010 (the date of his resignation) and the absence of any other compensation received by Eric Peugeot as CEO; and (iii) as a consequence of the foregoing, declare that the vesting of the 180,000 shares (and therefore the actual issue of the aforesaid shares) will take place in accordance with the applicable laws and regulations, after a period of two years from the allocation date (February 22, 2012).

Finally, it is further stated that article L. 225-197-6 of the French Commercial Code (which provides that in a company whose securities are admitted to trading on a regulated market, shares can be granted free of charge only if the company satisfies at least one of the following terms for the year in which such shares are allocated (i) the company allocates free shares to all of its employees and at least 90% of all employees of its subsidiaries, (ii) the company processes allocation options to all of its employees and at least 90% of all employees of its subsidiaries, and (iii) an incentive plan is in force in the company and least 90% of all employees of its subsidiaries are eligible) is applicable to allocation of free shares authorized by the extraordinary general meetings convened on or after December 3, 2008. However, the abovementioned allocations made by the Company were authorized by the general meeting of shareholders held on May 30, 2008 (20th resolution, see Note 2 to this Report) and need not comply with the stipulations in article L. 225-197-6 of the French Commercial Code (Code de commerce).These stipulations will be applicable in the event of a allocation of bonus shares on the basis of a delegation that may be allocated in the future by the General Meeting.

5.5.6 Additional information

	Employment contract in 2009		Supplemental pension plan		Compensation or benefits that are or may be owed due to a termination or change of position		Compensation pertaining to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Michel Meeus, Chairman since July 26, 2010		X		X		X		X
Eric Peugeot, Chairman from September 29, 2008 to July 26, 2010 and CEO from February 9, 2010 to May 20, 2010		X		X		X		X
Fady Khallouf, CEO since May 20, 2010		X	X [2]			X [6]	X [7]	
Marc van't Noordende, CEO from September 29, 2008 to February 9, 2010		X		X		X	X [1]	
Jean-François Azam, Managing Director from February 9, 2010 to July 23, 2010	X [5]		X [2]			X [6]	X [3]	
François Rivière, Deputy Managing Director from February 9, 2010 to July 26, 2010		X	X [2]			X [6]	X [4]	
Olivier Dubois, Deputy Managing Director from May 1, 2009 to February 9, 2010		X		X		X	X [1]	

(1) *The compensation payable under the non-compete clauses concluded by the Company with its previous Executive Managers, Marc van't Noordende and Olivier Dubois, amounted to 18 months of fixed compensation (including the expatriation bonus) for Marc van't Noordende and 12 months of fixed compensation for Olivier Dubois. This compensation, however, is not payable to executives in the event of serious misconduct or gross negligence. The contracts concluded with these executives also stipulate that the Company is entitled to extend the duration of the non-compete for an additional six month period (Marc van't Noordende) or twelve month period (Oliver Dubois), provided that the request is made before the expiration of the first year, and in this case, the Company shall pay the executive additional non-compete compensation of an value equal to six months of his fixed compensation (including the expatriation bonus for Marc van't Noordende). Given the terms under which Messrs. van't Noordende and Dubois left office in February, 2010, the Company did not intend to pay them non-compete compensation; however, the former executives contested this decision in the lawsuit described in paragraph 20.8 and demanded the payment of non-compete compensation (€594,000 for Marc van't Noordende and €200,004 for Olivier Dubois, in each case plus the legal interest rate starting February 16, 2010).Under the terms of a transactional memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding, including claims of contractual non-competition for 2009 (see details in paragraph 7.2 below).*

(2) *Fady Khallouf has mandatory supplemental pension and provident plans in force within the Company, namely, as of this date, MEDERIC B2V-CIRICA (supplemental pensions) and ALLIANZ (provident). François Rivière and Jean-François Azam also have these plans for the remainder of their terms as Deputy Managing Directors.*

(3) *The compensation due under the non-compete clause stipulated between the Company and Jean-François Azam amounts to (i) 24 months' fixed compensation if termination occurs before April 1, 2011, (ii) 18 months if termination occurs between April 2, 2011 and April 1, 2012, and (iii) 12 months if termination occurs thereafter. This compensation is reimbursable by Jean-François if it is found by the final, un-appealable decision of a court of law that he has committed serious misconduct. Jean-François Azam resigned from his position as Deputy Managing Director on July 23, 2010, and any compensation due under the non-compete clause has not been paid to him.*

(4) *The compensation due under the non-compete clause stipulated between the Company and François Rivière is 18 months' compensation. This compensation is reimbursable by François Rivière if it is found by the final, un-appealable decision of a court of law that he has committed serious misconduct. François Rivière resigned from his position as Deputy Managing Director on July 26, 2010.Compensation in an amount equal to 4 months' fixed pay (€96,667) was paid under the non-compete clause.*

(5) *Prior to his appointment as Deputy Managing Director on February 9, 2010. Since his resignation on 23 July 2010, Jean-François Azam has received a new employment contract as Chief Industrial Officer of the Company.*

(6) *Fady Khallouf has an unemployment insurance plan underwritten by the Group. Jean-François Azam and François Rivière have the same plan during their terms as Executive Vice Presidents.*

(7) *The compensation due under the non-compete clause stipulated between the Company and Fady Khallouf is 24 months' pay (fixed and variable).This compensation is reimbursable by Fady Khallouf if it is found by the final, un-appealable decision of a court of law that he has committed serious misconduct.*

The Group has made no commitments for the benefit of its executives that correspond to compensation or benefits that are or may be owed upon termination or change of position or subsequent thereto.

5.6 COMPENSATION OF THE NON-EXECUTIVE CORPORATE OFFICERS WHO ARE NOT DIRECTORS

5.6.1 Compensation, benefits in-kind, and directors' fees paid to each non-executive corporate officer during 2010

(in thousands of euros)		Fixed Compensation	Variable Compensation	Exceptional Compensation	Benefits in-Kind	Directors' Fees	**Total**
Gérard Creuzet *	2009	-	-	-	-	n/a	n/a
	2010	-	-	-	-	19	**19**
Philippe Dominati	2009	-	-	-	-	38	**38**
	2010	-	-	-	-	45	**45**
Louis Ferran *	2009	-	-	-	-	75	**75**
	2010	-	-	-	-	29	**29**
David Fitoussi	2009	-	-	-	-	n/a	n/a
	2010	-	-	-	-	19	**19**
Georgius Hersbach	2009	-	-	-	-	72	**72**
	2010	-	-	-	-	39	**39**
Fady Khallouf (2)	2009	-	-	-	-	N/A	n/a
	2010	-	-	-	-	7	**7**
Philippe Leroy *	2009	-	-	-	-	12	**12**
	2010		-	-	-	30	**30**
Jean-Pierre Mattei	2009	-	-	-	-	20	**20**
	2010	-	-	-	-	41	**41**
Marc van't Noordende (3)	2009	-	-	-	-	n/a	n/a
	2010	-	-	-	-	3	**3**

* *Directors who resigned from their positions on September 14, 2010*

(2) *For his non-executive corporate term of office for the period from March 19, 2010 to May 20, 2010*

(3) *For his non-executive corporate term of office for the period from February 10, 2010 to March 19, 2010*

5.6.2 Share purchase and subscription options allocated to non-executive corporate officers

There was no granting of share purchase and subscription options to non-executive corporate officers during 2010 or any exercise of warrants during that same period.

5.6.3 Special tasks

In 2010, three Company directors (Philippe Leroy, Jean-Pierre Mattei, and Philippe Dominati) performed special tasks for the Company and received exceptional compensation accordingly. This compensation is part of the Financial Restructuring Plan, given the work and tasks performed by these directors, mainly:

- coordinating work carried out by the various of the Company's boards;
- approving market strategy and investment options suggested by the Company's boards;
- supervising the preparation of documents relating to the Restructuring, reviewing any external financial communication by the Company;
- redefining the communication of Company strategy, defining key messages to deliver to the Company's strategic partners;
- supervising any contact useful to the completion of the Financial Restructuring Plan;
- supervising Company relations with the AMF; and
- participating in meetings with shareholders, Company executives, and boards, etc. at the request of the Chairman and CEO.

These three directors collectively received total compensation of €280,000 for their work until the Combined Shareholders/General Meeting of March 19, 2010 and extra compensation of €150,000 for the period from March 19, 2010 to August 31, 2010.

These special task agreements constitute regulated agreements as defined by articles L. 225-38 *et seq*. of the French Commercial Code (Code de commerce).They were authorized by the Board of Directors on March 19, 2010 and are described in a Statutory Auditors report that was approved by the General Shareholders Meeting on June 1, 2010 that approved the financial statements for the year ending December, 31 2009.

The Company believes that the accomplishment of these tasks was made necessary by the scope of work to be undertaken as part of the financial restructuring plan.

In addition, on April 15, 2010, the Board of Directors decided in principle to entrust a special task to a director, Fady Khallouf. The purpose of his task is to provide special assistance to the Chairman and CEO, especially with strategic projects, opportunities for acquisitions, disposals, and financial transactions, analysis, and proposals to improve Company profitability in terms of operations and development and reduce its risk factors or reduce its exposure to risk. This special task was ended per a Board of Directors' decision on May 20, 2010. In exchange for this task, the Company paid Fady Khallouf a total sum of €40,296.

These special task agreements constitute regulated agreements as defined by articles L. 225-38 *et seq*. of the French Commercial Code (Code de commerce). Its principle was authorized by the Board of Directors on April 15, 2010. It will be described in a report of the Statutory Auditors and submitted to an ordinary general meeting of shareholders convened to approve the financial statements for the year ended 31 December.

5.7 EXECUTIVE MANAGEMENT PARTICIPATION IN SHARE CAPITAL AS OF DECEMBER 31, 2010

	Number of Shares	% of Share Capital	% of Voting Rights
Jean-François Azam	32,000	NS	NS
Gérard Creuzet	NC	NC	NC
Philippe Dominati	60,250	NS	NS
Olivier Dubois	NC	NC	NC
Louis Ferran	NC	NC	NC
David Fitoussi	-	-	-
Georgius Hersbach *	138,126	0.125%	0.124%
Fady Khallouf	240,000	0.218%	0.215%
Philippe Leroy	-	-	-
Jean-Pierre Mattei	25	NS	NS
Michel Meeus	4,994,162	4.528%	4.475%
Marc van't Noordende	NC	NC	NC
Eric Peugeot	105,010	0.095%	0.094%
François Rivière	NC	NC	NC

* *Direct and indirect holdings*

5.8 TRANSACTIONS CONDUCTED BY THE MEMBERS OF THE BOARD OF DIRECTORS ON COMPANY SECURITIES

The transactions reported to the AMF by the directors on the Company's securities during 2010 are as follows:

Declarant	Date of Transaction	Nature of Transaction	Unit Price (in Euros)	Sum of Transaction (in euros)
Fady Khallouf	06/22/2010	Acquisition	2.23	56,267.36
Jean-François Azam	06/25/2010	Sale of DPS	0.51	16,240.00
Fady Khallouf	06/30/2010	Acquisition of DPS	0.15	6,143.00
Fady Khallouf	07/01/2010	Acquisition of DPS	0.14	6,897.00
Fady Khallouf	07/01/2010	Sale	1.40	35,000.00
Eric Peugeot	07/01/2010	Acquisition of DPS	0.14	9,735.00
HEARTSTREAM CAPITAL BV (corporate entity related to Georgius Hersbach)	07/02/2010	Subscription of DPS	1.00	25,047.00
Georgius Hersbach	07/02/2010	Subscription of DPS	1.00	57,830.00
Fady Khallouf	07/02/2010	Acquisition of DPS	0.09	1,724.00
Fady Khallouf	07/05/2010	Acquisition of DPS	0.04	700.00

Eric Peugeot	07/07/2010	Subscription	1.00	105,000.00
Philippe Dominati	07/07/2010	Subscription	1.00	60,150.00
Philippe Dominati	07/13/2010	Acquisition of DPS	0.03	1,200.00
Fady Khallouf	07/23/2010	Holder post AK	1.15	276,707.00

5.9 STOCK OPTION ALLOCATION HISTORY

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	G. Hersbach (1)	G. Hersbach (1)	Heartstream (2)	Darts (3)	E. Peugeot (5)
Subscription price in euros	0.000485	0.000485	0.00039	0.0001	0.0001
Exercise price in euros	4.85	4.85	3.90	15.28	15.28
Term	December 31, 2013	December 31, 2014	May 02, 2010	May 17, 2012	May24, 2012
Parity	1.344	1.344	1.187	1.132	1.132
Balance as of December 31, 2009	50,000	50,000	300,000	7,000	29,093
Allocated during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired or Non-Exercisable during the Period	-	-	300,000	-	-
Balance	50,000	50,000	0	7,000	29,093

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP 07
Holder	JM Santander (4)	L. Ferran (5)	S. Garino (5)	Sofinan Sprl (5)	E. Peugeot (5)
Subscription price in euros	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise price in euros	15.28	15.28	15.28	15.28	15.28
Term	June 11, 2012	May 19, 2012	May 16, 2012	May 19, 2012	January 1, 2013
Parity	1.132	1.132	1.132	1.132	1.132
Balance as of December 31, 2009	64,000	29,093	31,451	7,000	29,093
Allocated during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired or non-exercisable during the period	-	-	-	-	-
Balance	64,000	29,093	31,451	7,000	29,093

	BSA LF07	BSA SO07	BSA SG07	BSA JMS PC 800M
Holder	L. Ferran (5)	Sofinan Sprl (5)	S. Garino (5)	JM Santander (4)
Subscription price in euros	0.0001	0.0001	0.0001	0.0001
Exercise price in euros	15.28	15.28	15.28	12.17
Term	January 1, 2013	January 1, 2013	January 1, 2013	December 31, 2012
Parity	1.132	1.132	1.132	1.132
Balance as of December 31, 2009	29,093	29,093	31,451	80,460
Allocated during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired or Non-Exercisable during the Period	-	-	-	
Balance	29,093	29,093	31,451	80,460

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	Gama Enerji (6)	Gama Enerji (6)	E. Peugeot (5)	L. Ferran (5)	S. Garino (3)
Subscription price in euros	0.0010	0.0010	0.0001	0.0001	0.0001
Exercise price in euros	16.50	17.50	12.95	12.95	12.95
Term	January 3, 2011	January 2, 2012	July 2, 2013	July 2, 2013	July 2, 2013
Parity	1.132	1.132	1.132	1.132	1
Balance as of December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Allocated during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired or Non-Exercisable during the Period	-	-	-	-	31,451
Balance	1,500,000	1,500,000	29,093	29,093	0

	BSA SO 08	BSA PC 880 M 2008
Holder	Sofinan Sprl (5)	JM Santander (4)
Subscription Price in euros	0.0001	0.0001
Exercise Price in euros	12.95	15.64
Term	July 2, 2013	December 31, 2012
Parity	1	1.132
Balance as of December 31, 2009	29,093	37,093
Allocated During the Period	-	-
Exercised during the period	-	-
Expired or Non-Exercisable during the Period	29,093	-
Balance	0	37 093

	TEO SO 1	TEO SO 2
Holder	Fady Khallouf	Employees (7)
Exercise Price	1.24 (8)	
Allocation Date	December 1, 2010	
Possible Exercise of Options	December 1, 2014	
Expiration of Options	December 1, 2015	
Parity	1	1
Balance on December 31, 2010	1,500,000	2,000,000

(1) *Directors of the Company*
(2) *Company controlled by Mr. Georgius Hersbach, director of the Company*
(3) *Company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo*
(4) *Former Chairman and CEO of the Company*
(5) *Former director of the Company*
(6) *Former shareholder of the Company (see paragraph 18).*
(7) *Options were not definitively allocated; they will be allocated by the Board of Directors upon the proposal of the CEO.*
(8) *See Chapter 3, note 22 of this Report.*

Therefore, the total number of stock warrants (BSA) outstanding as of December 31, 2010 amounted to 3,562,106 and the total number of new shares that can be created by the exercise of these warrants amounted to 4,053,504, taking into account the new exercise parity following the completion of the capital increase with public offering on July 20, 2010. As of the date of this Management Report, the number of outstanding BSA was reduced due to the maturing of the 1,500,000 GE1 BSAs as of January 3, 2011.

With regard to stock options granted on December 1, 2010, 1,500,000 were awarded to Mr. Fady Khallouf and a maximum of 2,000,000 stock options will be awarded to Group employees by the Board of Directors as per the CEO's proposal. All allocations made are subject to performance terms detailed in paragraph 5.5.4 above.

5.10 FREE SHARES AND STOCK OPTIONS GRANTED TO THE TEN HIGHEST-PERFORMING NON-EXECUTIVE EMPLOYEES

As part of the 2009-2011 free share allocation plan, on December 17, 2009, the Board of Directors awarded 390,000 free shares to the highest-performing Group employees for 2009, 2010, and 2011. These shares were subject to attendance and performance terms linked to the achievement of financial targets. Following the departure of certain employees, the final number of shares will be less than initially expected.

At the end of each fiscal year, the employees concerned will be granted up to a third of the total value, subject to fulfillment of attendance and performance terms. The shares allocated will be acquired permanently on December 17, 2011 and available on December 17, 2013 (subject to attendance and performance terms).These terms shall be deemed to have been fully and automatically satisfied in the case of a completed transaction that (i) results in a change of control within the company as defined in article L. 233-3 of the French Commercial Code and (ii) did not receive a positive opinion from the THEOLIA Board of Directors.

During its meeting on February 20, 2010, the Board of Directors decided to award 30,000 free shares, subject to attendance and performance terms, to an employee for the abovementioned 2009-2011 free share allocation plan. These shares represent a value of zero in the consolidated financial statements, as the attendance terms cannot be completed due to said employee's departure from the Company in July, 2010.

The shareholders, at an extraordinary general meeting on June 1, 2010, rejected (53.56% of votes) the ninth resolution submitted for their approval, which granted the Board of Directors the authorization to allocate free shares for employees and/or corporate officers of the Company and/or its affiliates. This authorization was meant to replace the one granted by the twentieth resolution of the general meeting of May 30, 2008, which was set to expire on July 30, 2010.

On December 1, 2010, the Board of Directors approved the principle of awarding a maximum of 2,000,000 TEO SO2 stock options to Group employees. The Board of Directors will definitively issue these stock options by July 30, 2011 as per the CEO's proposal. The stock options granted to employees will be subject to the same performance terms as those set for the CEO. Their exercise price will be the price for the options allocated to the CEO, provided that such exercise price shall be increased to an value equal to at least 80% of the average share price over the twenty trading days preceding the date that the Board of Directors decides on the allocation if this value exceeds the exercise price of the stock options granted to the CEO (see paragraph 5.5.4 above).

5.11 RELATED PARTY TRANSACTIONS

The description of related party transactions is included in the notes to the consolidated financial statements as of December 31, 2010.

The following table provides a summary of the transactions that took place with related companies (excluding transactions that took place between Group companies) during the year ended December 31, 2010 as well as during previous years when those transactions had effect in 2010:

Parties	Type of Agreement	Date	Financial Compensation	Duration / Term
Windreich AG (company controlled by Willi Balz) ; THEOLIA Naturenergien GmbH (formerly Natenco GmbH); and THEOLIA (in which Willi Balz was a director in 2009 before resigning)	Non-exclusive marketing agreement whereby the company Windreich AG is awarded a commission (variable from 2.5 to 5% depending on the origin of the customer-contact) in the event of sales negotiated by Windreich AG of wind projects owned by THEOLIA Naturenergien GmbH (formerly Natenco GmbH). Under the terms of a rider dated December 21, 2007 and applicable from January 1 to December 31, 2008, the percentage of the Windreich AG commission was modified. In addition, for this period, Windreich AG was awarded exclusive marketing rights for the first hundred MW sold in German-speaking countries by THEOLIA Naturenergien GmbH (formerly Natenco GmbH). Since January 1, 2009, this exclusivity is no longer applicable and the stipulations of the original agreement are, again, in force.	February 02, 2007	All commissions paid by the Group to Windreich AG under this agreement as of the date of this Registration Document amount to €6.3 million for 2007, €2.2 million for 2008 (owed during 2007), and €0.2 million for 2009 (due to a lack of sales in 2008, they are zero for this year).	In effect until December 31, 2011

Parties	Type of Agreement	Date	Financial Compensation	Duration / Term
THEOLIA; and Heartstream Corporate Finance B.V. *(companies in which Georgius Hersbach held corporate office)*	Service agreement under which Heartstream Corporate Finance BV offers consulting services in connection with the sale by THEOLIA of a wind farm in Germany	September 22, 2009 (as amended on May 7, 2010)	Bonus of 1.25% of the company value held for the transaction. The total sum of fees paid by the Company in 2010 to Heartstream Corporate Finance BV under this agreement amounted to 900,000 euros.	Agreement ended on July 1, 2010
Ventura SA [(1)]; THEOLIA France SAS; and Vol-V [(1)]. [(1)]*Companies in which François Bouffard, Arnaud Guyot, and Cédric le Saulnier de Saint Jouan held corporate office*	Joint guarantee by the Company for amounts due from Ventura SA and THEOLIA France SAS to VOL-V	September 16, 2009	Guarantee granted for a sum of 966,083 euros	Guarantee expired in January, 2011 (balance of sum owed by THEOLIA France were paid)
THEOLIA and Philippe Leroy, Philippe Dominati, and Jean-Pierre Mattei, directors of the Company	Special task agreements assigned to three directors as part of financial restructuring	March 19, 2010	Total compensation of 430,000 euros for work	Agreements executed and ended on August 31, 2010
THEOLIA and Fady Khallouf, director of the Company	Special task agreement to provide special assistance to the Chairman and CEO	April 15, 2010	Total gross compensation of 40,296 euros for this task	Agreement ended on May 20, 2010

Parties	Type of Agreement	Date	Financial Compensation	Duration / Term
THEOLIA and Jean-François Azam and François Rivière, Deputy Managing Directors of the Company	Non-compete compensation, supplemental pension, and unemployment insurance for the Deputy Managing Directors	April 15, 2010	Benefit of supplemental pension and mandatory provident plans in force within the Company, an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause. Following the resignation of François Rivière on July 26, 2010, the Company paid him non-compete compensation in the sum of 96,667 euros. No non-compete compensation of was paid to Jean-François Azam following his resignation on July 23, 2010, as he had a new employment contract as Chief Industrial Officer.	July 26, 2010
THEOLIA and Fady Khallouf, director and CEO of the Company	Non-compete compensation, supplemental pension, and unemployment insurance for the CEO	June 15, 2010	Benefit of supplemental pension and mandatory provident plans in force within the Company, an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause (24 months of fixed and variable compensation).	In progress

Parties	Type of Agreement	Date	Financial Compensation	Duration / Term
THEOLIA and Michel Meeus, director and 3.32% shareholder of the Company share capital (as of the date of the commitment)	Commitment to subscribe to the capital increase that was to take place before August 31, 2010 as part of the Company's financial restructuring.	June 18, 2010	Subscription to 3,656,912 new shares of the Company, with a par value of one euro.	Execution on July 7, 2010

6. INFORMATION ON THE SHARE CAPITAL

6.1 SHARE CAPITAL

As of the publication date of this Management Report, the share capital is set at €112,755,309, divided into 112,755,309 shares, each with a par value of one (1) euro.

Marketable shares or securities issued by the Company are in the form of either bearer shares or registered shares. Registered shares can be converted to bearer shares unless otherwise provided by law. These shares or marketable securities, whatever their form, must be registered in an account under the conditions set forth by the laws and regulations in force. Rights over the shares are contingent upon registration in an account under the conditions and according to the terms stipulated by the laws and regulations in force.

All the shares issued have been fully paid; they are all of the same class.

The Company has been informed that the three custodian banks, Bank of New York Mellon, Citibank and Deutsche Bank, have taken the initiative to make THEOLIA shares available to US investors. They are offering one ADR (American Depositary Receipt) certificate, which represents one THEOLIA share. This certificate, under CUSIP code 88338D109 and SEDOL code B3DTP21 with the mnemonic code THIXY, is a program that is not sponsored by THEOLIA, and to date the Company has not been informed of the activity for this instrument.

As of December 31, 2010, the number of shares was 110,292,782 with total net of voting rights of 111,604,695.

As of December 31, 2010, no pure registered shares in the Company were pledged.

6.2 HISTORICAL RECORD OF CAPITAL OVER THE LAST THREE FINANCIAL YEARS

Date	Nature of the operation	Share capital
01/08/2008	Exercise of stock warrants	38,681,671
06/28/2008	Exercise of stock warrants	38,900,079
08/27/2008	Exercise of stock warrants	38,945,804
11/05/2008	Issue of bonus shares, exercise of stock warrants	39,353,304
12/30/2008	Exercise of stock warrants	39,746,992
12/31/2008	Capital recognized at financial year-end 2008	39,746,992
03/18/2009	Final grant of free shares	39,828,992
05/14/2009	Final grant of bonus shares	39,895,207

Date	Nature of the operation	Share capital
12/31/2009	Capital recognized at financial year-end 2009	39,895,207
02/22/2010	Final grant of bonus shares	40,308,707
07/20/2010	Issue of shares by public issue	100,771,766
11/15/2010	Conversion of OCEANE bonds	110,292,782
12/31/2010	Capital recognized at financial year-end 2010	110,292,782
04/18/2011	Final grant of free shares and OCEANE conversions	112,755,309

6.3 CHANGES IN THE SHARE PRICE SINCE JANUARY 1, 2008

The table below shows changes in the share price from January 1, 2008 through March 31, 2011:

€

The Company was floated on Euronext Paris (regulated market) on July 31, 2006. Prior to that time, it was listed on the free market of the Paris Stock Exchange.

6.4 PRINCIPAL SHAREHOLDERS

Shareholder base	Position as of 7/27/2010			Position as of 3/15/2010		
	Number of shares	% of the capital	% of the voting rights	Number of shares	% of the capital	% of the voting rights
Gama Enerji (1)	6,462,000	6.41	6.33	6,462,000	16.03	15.47
Concert party (2)	13,660,524	13.56	13.38	3,658,274	9.08	8.76
CRC Active Value Fund Ltd	*3,750*	*na*	*na*	*1500*	*na*	*na*
Michel Meeus	*4,994,192*	*4.96*	*4.89*	*1,337,250*	*3.32*	*3.20*
Pierre Salik	*5,145,557*	*5.11*	*5.04*	*1,377,788*	*3.42*	*3.30*
Brigitte Salik	*3,517,055*	*3.49*	*3.45*	*941,736*	*2.34*	*2.26*
Willi Balz (3)	3,192,380	3.17	3.13	3,614,988	8.97	8.66
Pierre & Brigitte Salik	(4)			(4)		
THEOLIA employees	<2%				<1%	

Shareholders	Position as of 9/30/2009			Position as of 12/12/2008		
	Number of shares	% of the capital	% of the voting rights	Number of shares	% of the capital	% of the voting rights
Gama Enerji	6,462,000	16.2	15.57	6,462,000	16.42	15.77
Concert party (2)	na			na		
Willi Balz (3)	3,614,988	9.06	8.71	4,170,188	10.6	10.18
Pierre & Brigitte Salik	2,108,471	5.29	5.08	2,108,471	5.36	5.15
THEOLIA employees		<1%			<3%	

(1) *Gama Enerji A.S. declared that it had sold all its shares in THEOLIA in December 2010 outside the market.*
(2) *Concert party as declared in letters of March 11 and July 23, 2010 to the AMF.*
(3) *Directly or indirectly through the companies Windreich GmbH and Financial Consulting GmbH.*
(4) *Henceforth included in the concert party referred to in note (2).*

The table below shows the threshold crossings reported to the AMF during fiscal year 2010:

Reporting date	Name of holder	Threshold crossed (how)	Date threshold crossed	% of capital held after threshold crossed	% of voting rights held after threshold crossed
01/28/2010 01/29/2010	Willi Balz, in his own name and through the German companies Windreich GmbH and Financial Consulting GmbH, which are controlled by him CRC Active Value Fund	Upward	01/25/2010	18.23%	17.55%

Reporting date	Name of holder	Threshold crossed (how)	Date threshold crossed	% of capital held after threshold crossed	% of voting rights held after threshold crossed
	Michel Meeus Pierre Salik Brigitte Salik				
This threshold crossing results from agreements concluded forming a shareholder concert party amongst the declarants.					
03/11/2010 03/12/2010	CRC Active Value Fund Michel Meeus Pierre Salik Brigitte Salik (without Willi Balz)	Downward	03/08/2010	9.08%	8.76%
This threshold crossing results from Willi Balz and the companies that he controls, Windreich GmbH and Financial Consulting GmbH, withdrawing from the concert party following a concert termination agreement on March 8, 2010.					
07/13/2010	The *société anonyme* (PLC) Amundi, acting for its own account and for the account of the *société anonyme* (PLC) Société Générale Gestion and the Etoile Gestion partnership.	Upward	07/12/2010	7.44%	7.21%
This threshold crossing results from acquisition of THEOLIA shares on the market.					
07/23/2010	CRC Active Value Fund Michel Meeus Pierre Salik Brigitte Salik	Upward	07/07/2010	13.56%	13.38%
These threshold crossings result from subscribing to the THEOLIA capital increase.					
07/26/2010	Gama Enerji A.S.	Downward	07/20/2010	6.41%	6.33%
This threshold crossing results from the THEOLIA capital increase.					
07/26/2010 07/27/2010	Willi Balz, in his own name and through German company Windreich GmbH, which he controls	Downward	07/27/2010	3.17%	3.13%
This threshold crossing results from the THEOLIA capital increase.					
07/29/2010	The société anonyme (PLC) Amundi, acting for its own account and for the account of the société anonyme (PLC) Société Générale Gestion and the Etoile Gestion partnership.	Downward	07/27/2010	2.61%	2.58%
This threshold crossing results from a change in the number of THEOLIA shares following a capital increase.					
12/07/2010	Gama Enerji A.S.	Downward	12/02/2010	0.00%	0.00%
This threshold crossing results from the off-market sale of THEOLIA shares.					

6.5 OPERATIONS PERTAINING TO SHARES IN THE COMPANY

The Ordinary Shareholders' Meeting of June 1, 2010 authorized the Board of Directors, for a period of 18 months, to purchase the Company's own shares up to a limit representing no more than 10% of the total number of shares comprising the share capital. This delegation terminated the previous authority given by the Ordinary Shareholders' Meeting of June 11, 2009.

This delegation allows the Company to trade THEOLIA shares on the market through a liquidity contract in accordance with market practice allowed by the AMF. The Company made no other use of this delegation aside from the liquidity contract.

Under previous delegated authorities for share buybacks by THEOLIA, it should be noted that a liquidity contract was concluded on August 28, 2006 between the Company and Exane BNP Paribas, an investment services provider, in order to improve liquidity of its shares and the legality of its listings through purchase and sale mechanisms. This liquidity contract was drawn up in accordance with the standard contract of the *Association Française des Entreprises d'Investissement* (AFEI) and the AFEI ethics charter of March 14, 2005, approved by the AMF on March 22, 2005.

On January 26, 2009, the THEOLIA's liquidity contract with Exane BNP Paribas was terminated. The Company then appointed Oddo Corporate Finance to introduce a new liquidity contract based on the AFEI ethics charter, by transferring to it the 95,515 THEOLIA shares and €155,113.36 previously held by Exane BNP Paribas. The contract was concluded for an initial period from January 27, 2009 through December 31, 2009, automatically renewable thereafter by successive identical 12-month periods. This contract was renewed for 2011.

Operations for the period from January 1, 2010 through December 31, 2010:

	Quantity	Average price (euros)	Amount (euros)
Total Purchase	1,080,725	1.87	(2,020,980.04)
Total Sale	(1,078,185)	1.7942	1,934,510.60
As of 12/31/2009			
Number of shares held	190,396		

During the 2010 financial year, a total of 1,080,725 shares were therefore bought back at an average price of €1.87 per share and 1,078,185 shares were sold at an average price of €1.7942 per share. The corresponding trading costs are €25,000 for the 2010 financial year.

As of December 31, 2010, the Company owned 190,396 treasury shares with a par value of one euro each, representing 0.17% of the capital, and whose trading price at the end of the financial year was €1.17 representing €222,763.32.

6.6 DIVIDENDS

6.6.1 Total dividend

The Company has not paid a dividend during the past three financial years.

6.6.2 Future dividend policy

The payment of dividends will depend mainly on the income earned by the Company, its financial position, its investment policy and the reduction of its debt. The Company does not intend to distribute dividends in 2011 for the financial year ended December 31, 2010.

6.6.3 Prescription period for dividends

Dividends that are unclaimed at the end of a five-year period from their date of payment revert to the State.

6.7 FACTORS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to article L. 225-100-3 of the French Commercial Code, the factors liable to have an impact in the event of a public bid for the Company's shares are described below.

6.7.1 Statutory restrictions on the exercise of voting rights and share transfers

The bylaws of the Company provide for double voting rights as well as certain provisions relating to the exercise of voting rights and do not contain any provisions restricting the transfer of shares.

6.7.1.1 Double voting right

A voting right double that allocated to other shares, in proportion to the quota of share capital they represent, is allocated to all fully paid-up shares for which there is proof of registration for at least two years in the name of the same shareholder, who shall be either a French citizen or a citizen of a member state of the European Union. In the event of an increase in capital through the capitalization of reserves, profits or issue premiums, this double voting right shall apply, to any new bonus shares granted to a shareholder in proportion to the previous shares for which he already benefits from this right.

Any share whose ownership is transferred loses the double voting right subject to the exceptions provided by law (article 23.3 of the bylaws).

6.7.1.2 Statutory restrictions on the exercise of voting rights and on share transfers

Subject to the provisions of article 7.4 relating to the forfeiture of voting rights in the event of non-compliance with obligations relating to the declarations of threshold crossings (threshold crossing of 0.5% of the share capital or voting rights either upward or downward), the bylaws do not contain any restrictions on the exercise of voting rights.

The bylaws of the Company do not contain any restricting the transfer of shares.

6.7.2 Financing agreements concluded by the Company that would be amended or that would terminate in the event of a change in control of the Company

Some of the Company's financing arrangements provide for early repayment in the event of a change in the control of the Company. This is, notably, the case for OCEANEs issued in October 2007 and amended in 2010, whose main provisions are presented in paragraphs 2.1.1.4 and 2.53 of this Report.

6.7.3 *Agreements among shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights*

On January 29, 2010, a group of shareholders, including Willi Balz controlling together around 18% of the voting rights in the Company announced they were acting in concert (the "Initial Concert") and their intent to "support the promotion of new strategies with respect to the company with its management, its Board of Directors, shareholders and the public". Subsequently, Willi Balz withdrew from the Initial Concert and, after discussions with the Company, the other members of the Concert holding approximately 9% of the share capital in the Company (the "New Concert") decided on March 11, 2010 to support the restructuring.

On May 31, 2010, the Company took note of the intent of Michel Meeus, a director of the Company since March 19, 2010, of Pierre Salik, Brigitte Salik and CRC Active Value (who reported to the AMF that they were acting in concert on March 11 and 12, 2010) to subscribe to the capital increase for €10 million in proportion to their respective ownership stakes and not jointly and severally. This demonstration of interest was confirmed in a commitment for a firm subscription before the launch of the capital increase on June 18, 2010.

This new concert reported holding a major stake in the Company enabling it to have a significant substantial influence over decisions taken: as of December 31, 2010, the Concert accounted for 13,660,524 shares in the Company's share capital, or around 12.38% of the share capital and 12.24% of the voting rights.

6.7.4 *Powers of the Board of Directors to issue or buy back shares*

During the 2010 financial year, the Board of Directors made use of the authority for the Company to buyback its own shares under market-making for THEOLIA's shares through a liquidity contract concluded with Oddo, in accordance with the market practice allowed by the *Autorité des Marchés Financiers* (AMF). Aside from that liquidity contract, the Company did not make any further use of this authority granted by the Shareholders' Meetings of June 11, 2009 and June 1, 2010.

The buyback price per share may not exceed €8. The authority applies to up to a maximum of 10% of the share capital in the Company for a maximum amount of €40 million, it being understood that the Company may not at any time hold more than 10% of its own share capital.

7. LEGAL AND ARBITRAL PROCEEDINGS

7.1 LITIGATION AGAINST JEAN-MARIE SANTANDER

As part of the Board of Directors' review of the Group's business, the Company identified certain management decisions taken by Jean-Marie Santander which the Board considers do not comply with its corporate purpose, in particular certain decisions relating to the Moroccan subsidiary, Theolia Emerging Markets ("TEM"). The Company, as well as TEM, initiated two civil procedures, one in France and the other in Morocco, and one criminal procedure in France against Jean-Marie Santander and certain related parties under the terms described below.

On March 13, 2009, the Company brought an action against Jean-Marie Santander (and the companies Athanor Equities and Global Ecopower) before the Commercial Court of Marseille. The Company claimed a total of €5.95 million from Jean-Marie Santander and the companies Athanor Equities and Global Ecopower in relation to damages that it considers it has suffered. The claim alleged that Jean-Marie Santander (a) established and operated a competing group of the Company while he was still managing the Company, (b) used and recruited Company employees, (c) committed parasitic competitive acts to the detriment of the Company, notably through the use of the image and reputation of the Company, (d) committed acts in competition, with Global Ecopower as accomplice in the wind sector and (e) had a fine imposed on him by the AMF following their decision of October 1, 2009. Jean-Marie Santander has filed a counterclaim in relation to these proceedings, in which he sought an allocation of 100,000 free shares in the Company. These proceedings led to the Commercial Court of Marseille ruling on February 21, 2011 that Jean-Marie Santander should pay the Company €450,000 in relation to the breach of the non-compete clause binding him and the sum of €2,000 on the basis of the provisions in article 700 of the Code of Civil Procedure *(Code de procédure civile)*. In addition, Jean-Marie Santander's counterclaim seeking an allocation of free shares was dismissed. This judgment is likely to be challenged in appeal.

In addition, on April 22, 2009 TEM brought an action against Jean-Marie Santander in the Commercial Court of Casablanca for the repayment of MAD 1,300,000 (MAD 1 = €0.0884649 as of March 25, 2011, being around €115,004.37), which corresponds to the compensation that the Company considers to have been improperly received by Jean-Marie Santander when he was Chairman and CEO of TEM. It claimed repayment by him of MAD 2,000,000 (being around €176,929.80) excluding taxes, for a sum paid pursuant to a coordination agreement with Faracha (a Luxembourg company of which Jean-Marie Santander is the sole director) in the absence of any tangible service provided by Faracha to TEM.

Finally, on December 29, 2009, the Company and TEM filed a criminal complaint against Jean-Marie Santander with the Public Prosecutor of the Court of first instance of Marseille. This complaint, which is still being investigated, exposes acts liable to be qualified as misappropriation of funds, abuse of power and breach of trust.

As a reminder, on April 21, 2009, Jean-Marie Santander disputed the complaints mentioned above, in his capacity as a shareholder of the Company brought a derivative action (action *ut singuli*) claim against certain directors (Eric Peugeot, Stéphane Garino, Georgius Hersbach, Louis Ferran, and the company Sofinan Sprl) and the Chief Executive Officer of the Company from September 2008 to February 2010 (Marc van't Noordende). This claim sought to order these directors jointly and severally:

- to cover the Company against any convictions that the Commercial Court of Marseille should issue against it to indemnify: (i) the damages to Jean-Marie Santander (estimated at €200,000) and those of the companies Athanor Equities and Global Ecopower (estimated at €150,000 for each company) as a result of the proceedings initiated by the Company, (ii) the alleged damages of Jean-Marie Santander resulting from the Board of Directors non-allocation of free shares, valued at €574,714; and
- to indemnify the loss caused to the Company from the "brutal eviction of Jean-Marie Santander as well as the disastrous management of the Company that followed on from it" that he assessed at €520 million, which corresponds to the loss in market value of the Company since September 2008.

These proceedings gave rise to a hearing on February 7, 2011, before the Commercial Court of Marseille. During this hearing, Jean-Marie Santander indicated that he was withdrawing from his proceedings and action. This withdrawal was accepted by the defendant parties and led to a judgment on February 21, 2011 pronouncing the termination of Jean-Marie Santander's action as well as the termination of the proceedings.

Despite all the due care exercised by the Group prior to the undertaking of legal proceedings, there may exist other cases of potential breaches that may not have been identified and which could be likely to have an unfavorable impact on the Group's business, financial position and its results from operations.

7.2 LITIGATION WITH MARC VAN'T NOORDENDE AND OLIVIER DUBOIS

In February, 2010, the Board of Directors dismissed Marc van't Noordende, Chief Executive Officer, and Olivier Dubois, Chief Operating Officer. Marc van't Noordende was also dismissed from his directorship at the General Meeting of Shareholders on March 19, 2010.

These two former managers have disputed the financial conditions and consequences of their dismissal, and filed a claim on May 11, 2010 against the Company to appear as soon as possible before the Aix-en-Provence Commercial Court. According to their summary submissions of January 30, 2011, they claimed from the Company:

- the payment of a total of around €3.02 million (plus interest) in damages for the brutal and vexatious dismissal, damages for dismissal without just cause, the non-compete indemnity, the variable compensation for the 2009 financial year and article 700 of the Code of Civil Procedure *(Code de procédure civile)*, (being around €2.06 million for Marc van't Noordende and €0.96 million for Olivier Dubois); and
- a final allocation of 3,023,153 free shares subject to penalty for non-compliance on December 7, 2011 (being 1,406,570 shares for Marc van't Noordende and 1,007,718 shares for Olivier Dubois), after application of the anti-dilution mechanism described in paragraph 15.1.5 of the 2009 Reference Document.

The Company considered the dismissals that occurred on February 9, 2010 as fully justified and lacking any brutal or vexatious nature. Furthermore, the Company considered the claims in relation to the final allocation of free shares and the implementation of an anti-dilution mechanism unfounded. It also disputed owing them their variable compensation and their non-compete indemnity.

The case had been set for a hearing on May 31, 2011.

The parties came together in order to put a final end to the disputes, past or in the future, that opposed them. An out-of-court termination settlement protocol ("Protocol") was agreed on March 11, 2011.

According to the Protocol terms, the Company made a final, global lump-sum indemnity payment as an out-of-court termination settlement to:

- Marc van't Noordende, for a total amount of €675,000, broken down as follows:
  - €210,000 as damages in compensation for the emotional distress and proceedings caused by his dismissal; and
  - €465,000 for material damages (it being specified that half of this sum compensates the loss of the expatriation bonus, as provided for in the terms and conditions of his former corporate appointment).
- Olivier Dubois, for a total gross amount of €475,000, broken down as follows:
  - €210,000 as damages in compensation for the emotional distress and proceedings caused by his dismissal; and
  - €265,000 for material damages.

In consideration for the amounts paid, Marc van't Noordende and Olivier Dubois have relinquished their claims for damages, non-compete indemnities, variable compensation for the 2009 financial year, allocation of free shares including the anti-dilution clause, and under article 700 of the Code of Civil Procedure *(Code de procédure civile).*

7.3 CITY OF CABRIÈS WASTEWATER TREATMENT PLANT DEFECTS

In 2008, the Cabriès City Council instituted legal proceedings against the subsidiary in the Environmental Unit, Ecoval Technology, in relation to alleged defects that have occurred with the city's wastewater treatment plant and late-payment penalties; it requested that Ecoval Technology pay a sum of €1.5 million. An independent expert was appointed by the Marseille Administrative Court *(Tribunal Administratif de Marseille)* in order to determine liability as well as the amount of work to be planned. A reconciliation is underway with the Cabriès City Council in order to seek an out-of-court settlement.

7.4 ADMINISTRATIVE AND CRIMINAL PROCEEDINGS RELATED TO THE MARTIGNANO WIND FARM IN ITALY

Administrative proceedings

On May 23, 2007, a committee composed of eight residents of Martignano lodged an appeal with the Administrative Court of Lecce ("TAR") against the Puglia region, WindService and NeoAnemos (subsidiary of the Company), requesting the *Autorizzazione Unica* ("Unique Authorization") granted by the Puglia region to build the Martignano wind farm be pronounced null and void. In addition, the plaintiffs requested that the TAR issue a preliminary injunction to suspend construction work on the farm during the entire period of the legal proceedings.

On May 23, 2007, the TAR issued a preliminary injunction to suspend construction work and ordered continuation of legal proceedings on the merits of the case. This preliminary measure was repealed by the State Council of Rome on appeal by NeoAnemos.

On February 5, 2008, the TAR delivered its judgment on the merits declaring the Unique Authorization null and void. The Court, contrary to NeoAnemos' opinion, considered the appeal admissible. On March 27, 2008, NeoAnemos lodged an appeal to the State Council against the TAR's decision. The Council repealed the TAR's judgment, and consequently, administratively speaking, the Unique Authorization must be considered as being fully valid and effective.

Criminal proceedings

As part of the administrative proceedings, the Lecce District Attorney, solicited by the plaintiffs, opened an inquiry against Carlo Durante in his official capacity as the legal representative of NeoAnemos for having proceeded with the erection of buildings with a view to the construction of a wind farm in the district of Martignano without valid authorization.

Per the ordinance of September 21, 2009, the investigating magistrate referred this case on the merits, thereby confirming the prosecutor's petition. The trial started in December, 2010.

The Group considers, given the elements of the investigation, that the unauthorized construction offense will not be proved and an acquittal decision should most likely be pronounced.

The offense against Carlo Durante will lapse on March 6, 2012.

Considering that the trial is currently in its initial stages of its first hearing and that the Italian court system comprises three tiers of jurisdiction, we must assume that the statutory limitation period will be reached before a possible decision of conviction can become final.

Consequently, if the trial does not end with an acquittal based on the grounds prevailing in the merits, in the event that such a decision is delivered by the Court of First Instance before March 6, 2012, the trial will, in any event, end with an acquittal for statute of limitations.

7.5 DISPUTES OPPOSING THE COMPANY AND ITS GERMAN SUBSIDIARY THEOLIA NATURENERGIEN WITH WILLI BALZ

In October 2006, the Group purchased THEOLIA Naturenergien GmbH (formerly named Natenco GmbH), ("THEOLIA Naturenergien") from a company owned by Willi Balz, Windreich AG GmbH ("Windreich").

Since 2007, THEOLIA Naturenergien has been party to a non-exclusive service agreement with Windreich for the acquisition and sale of wind farms by THEOLIA Naturenergien (given that this agreement was subject to a clause providing for exclusivity on behalf of Windreich for the 2008 financial year). As part of this contract, in the 2007, 2008, and 2009 financial years, respectively, Windreich received approximately €6.3 million, €2.2 million (due for the 2007 financial year) and €0.2 million in commissions. Moreover, in 2009, Windreich acquired a wind farm located in Germany from the Group for a purchase price of €43.9 million.

On July 27, 2010, Windreich initiated legal action against THEOLIA and THEOLIA Naturenergien, to order these companies to:

- hand over all information, including THEOLIA Naturenergien GmbH's financial statements, enabling them to calculate possible commissions due to Windreich following the sale by THEOLIA Naturenergien GmbH of the wind farms; and
- pay a sum of approximately €4.3 million (plus interest) as damages for the non-payment of possible commissions due and not paid following sales of wind farms, and more particularly following the sale of the "Alsleben" wind farm.

As far as claims relating to alleged commissions following the sale of the Alsleben farm, the Group considers Windreich's claims to be exaggerated and extreme.

A hearing took place on March 21, 2011. In accordance with the requests of the judges, Windreich had until April 18, 2011 to provide additional information to justify its claims. A final judgment is anticipated at the end of the first half of 2011.

7.6 OTHER PROCEEDINGS

There are no other governmental, legal or arbitrage proceedings that the Group is aware of as of this date, either in abeyance or of which it is threatened, likely to have or having had significant impacts on the Group's financial position or profitability during the last twelve months.

8. EMPLOYEE AND ENVIRONMENTAL INFORMATION

8.1 EMPLOYEE INFORMATION

8.1.1 Group employees

The Group headcount includes the employees of all of the companies included in the scope of consolidation. On December 31, 2010, the Group had a total of 255 employees. For information on the executive management, see Section 5.

The Group headcount over the last three years and by geographical area is as follows:

	12/31/2010	12/31/2009	12/31/2008
France	155	164	187
Germany	50	55	46
Other countries	50	51	62
TOTAL	255	270	295

Of the total 255 employees, 178 worked in wind activities and 77 in non-wind activities.

The main changes are the following:

- THEOLIA SA:
  - The positions of Head of Internal Audit, Head of Internal Control and General Secretary were discontinued. The functions carried out by the Head of Internal Audit and Head of Internal Control were absorbed by other departments and by the management, with a ramp-up of internal control measures (see § 3 of the 2010 Report of the Chairman of the Board of Directors on governance, internal control procedures and risk management), while the functions previously carried out by the General Secretary were mostly taken over by the Head of the Legal Department;
  - 2 new posts were created: Legal Assistant and Deputy Head of M&A.
- THEOLIA France:
  - 2 new support positions were created: Financial Controller and Legal Assistant;
  - 2 developers were added to the Development Department;
  - 1 position was created in the Electricity arm of the Construction Division.
- THEOLIA Naturenergien:
  - As part of the Group's cost control policy, the four employees that resigned were not replaced (management assistant, administrative assistant, developer, head of the energy market).
- THEOLIA Brazil:
  - One project management position was created (development).
- Environmental Unit:
  - None of the 8 employees that left the Environmental Division was replaced;
  - As part of the cost cutting policy, no new recruitment took place in any of the companies in the Environmental Unit in 2010.

8.1.2 Employee compensation

In each country in which it operates, the Group places a great deal of importance on ensuring that employee compensation is proportional to the employee's expertise, training, level of responsibility and performance and that it complies with local employment laws.

- WAGES:
  - wages and payroll expenses amount to 10,180 thousand euros in the income statement. The calculation method has been changed and no longer factors in executive director compensation (for the compensation of the executive directors, see chapter 5 of this Management Report);
- VARIABLE COMPENSATION:
  - to reward the staff for their efforts during restructuring of the Company, an exceptional bonus was paid in March 2010 of 9% of their gross fixed compensation (initially set at 5%),
  - the Group's compensation policy is designed to motivate employees, foster their loyalty and attract new talent. Some positions are paid both a fixed and variable component to reward the achievement of targets;

- FOSTERING LOYALTY:
  - in the past, certain employees were awarded free share allocations. One employee was allocated free shares in 2010 (30,000 shares) after a review of their attribution in 2009. As this employee left the company in 2010, this share award was not completed,
  - in 2010, no share purchase warrants were allocated to employees and no share purchase warrants were exercised by employees,
  - for 2011 the Company is looking to implement a stock option plan in favor of certain employees in order to motivate them and allow them to participate in the Group's future development and profits.
  - employees own less than 1% of the Group's share capital (according to the Euronext - IAS index).
- PROFIT SHARE AGREEMENTS:
  - the change in General Management took place during the renegotiation of the profit share agreement which had not been completed before the legal expiry date of July 1, 2010. The profit share agreement implemented in 2008 expired on December 31, 2010. The General Management and employee representatives will work throughout the first half of 2011 to implement a new agreement.

8.1.3 Human resources policy

The Company's objective in this domain is to apply an integrated human resources policy to promote professional development for all employees and mobility between the Group business lines.

The Group promotes professional equality and non-discrimination in the organization of recruitment, career management and career development, in accordance with applicable regulations of each country in which it operates.

8.1.4 Organization of work

As regards the organization of working hours, the legal maximum 35-hour work week applies to all of the French subsidiaries, with a variation in contract terms as follows:

- 35-hour working week contracts;
- 39-hour working week contracts, i.e. 35 hours plus an additional 4 hours per week;
- Fixed 218 day contracts with additional rest days as per the *Convention Collective Nationale des Cadres de la Métallurgie* (the national collective agreement for executives in the metallurgical industry) dated March 13, 1972, as amended; and
- Contracts with no limit on the number of working hours applicable to senior executives.

Some employees have opted for part-time contracts where they work four out of five days in the week.

The level of recurrent absenteeism is very low, demonstrating the commitment of the employees. Overtime is available only in the context of the 39-hour working week contract.

8.1.5 Recruitment policy

The Group does not have any problem in recruiting suitable staff, and its policy is to prioritize candidates with the technical expertise and professional qualities that fit with the Group's ambitions and challenges.

No difficulty is encountered in finding new talent. Job opportunities are posted on the Group website and/or on its subsidiaries' websites, and disseminated through external advertising or through recruitment agencies. Each candidate is assessed and their details are stored in a résumé bank. This active recruitment policy means that profile searches can be made even before vacancies are advertised. Recruitment has nevertheless slowed down due to the staff cutting plan implemented at the end of 2008 and due to the Group's cost cutting policy.

8.1.6 Training

All of the Group companies make use of the legally regulated funds designated for ongoing occupational training. This essentially concerns technical, language and managerial training.

8.1.7 Employee relations

In France, employee relations are accorded a high level of importance with open and active dialogue. The Group encourages direct dialogue between the management and its employees.

8.1.8 Occupational safety and health

French subsidiaries that employ more than 50 employees must have a designated Health, Safety and Working Conditions Committee. In the other French subsidiaries the staff representatives are responsible for health, safety and working conditions. The Group ensures that it meets all of its legal requirements in this regard, and that these committees and representatives are consulted where necessary.

8.1.9 Employment and integration of disabled workers

The practices of the French subsidiaries in this regard are as follows:

- THEOLIA SA:
  - As it exceeded the threshold of 20 employees in 2008, the Company is still in its three-year compliance period. Any recruitment plans in 2011 will include disabled workers. In this regard, the Company works with ESAT, a French organization for the social and professional integration of disabled persons.
- Environmental Unit:
  - Seres Environnement fulfilled its obligation to open 3 vacancies for disabled workers,
  - Ecoval 30 integrates 3 disabled workers out of a total headcount of 23 (13%), which is well above the legal requirement of 6%. Specific assistance with training and facilities is obtained from the public body AGEFIPH to facilitate the integration of disabled employees;
- THEOLIA France:
  - The Company has until now fulfilled all of its requirements concerning the contribution to the employment of disabled workers. In 2011, its recruitment policy will favor disabled workers.

8.2 ENVIRONMENTAL INFORMATION

When building permits are awarded for wind turbine projects, THEOLIA assesses the environmental consequences of all of its activities in strict compliance with the relevant legal and regulatory standards.

Each wind turbine project requires that various studies be carried out to assess the impact on the local environment: these studies relate to among others acoustics, the landscape, proximity to housing, impact on the flora and fauna. The goal is to ensure that the turbines are integrated as successfully as possible in the local environment in cooperation with the local authorities and the local population.

Significant technological progress has been made in the area of wind turbine equipment in recent years, notably leading to a significant reduction in noise levels. Turbine manufacturers are also working on improving the design and color of the equipment to improve visual aspects.

Specific environmental measures are also being studied, such as the monitoring of the impact on birds, the protection of natural areas close to construction sites, the rehabilitation of the natural environment, ecological programs for regional parks, etc.

Lastly, from the outset of each wind turbine project, THEOLIA ensures that technical and financial resources are earmarked for the rehabilitation of the site at the end of operations in accordance with the regulations in force.

THEOLIA Group plans to become a key player in the area of sustainable development. On December 31, 2010 the Group had produced approximately 1,280 GWh of “green” electricity, covering the annual needs (excluding heating) of roughly 512,000 houses, and reducing CO_2 emissions by 567,000 metric tons.

THEOLIA operates mindful of a set of values that are shared by all of its employees. The Group complies with rules of conduct drawn up on the basis of the ethical principles on which it was founded. Recently, THEOLIA implemented a Code of Ethics which requires that each employee and each manager apply rules of good practice in the fulfillment of their functions.

NOTE 1 2010 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROLS AND RISK MANAGEMENT

The research undertaken in the writing of the 2010 Report by the Chairman of the Board of Directors on corporate governance, internal controls and risk management (the "**Report**") has drawn primarily on contributions co-ordinated by General Management in conjunction with the legal department, the principal line and staff managers of THEOLIA SA (the "**Company**") and the Audit Committee.

The Company's Legal Auditors, pursuant to Article L. 225-235 of the French Commercial Code, have given their opinion on this Chairman's Report as part of their own report on internal controls with respect to the preparation and processing of accounting and financial data and have given their assurance as to the provision of other mandatory information.

This Report was approved by the Board of Directors at its April 18, 2011 meeting, in accordance with Article L.225-37 of the French Commercial Code.

1. REVIEW OF MAIN PRINCIPLES

This Report was prepared in accordance with the French Commercial Code (§ 1.1) and pursuant to the MiddleNext Code of corporate governance for small and middle capitalization stocks (the "**MiddleNext Code**") (§ 1.2), approved as a model code by the AMF (the French securities market authority).

1.1 The French Commercial Code

Article L.225-37 paragraph 6 of the French Commercial Code requires the Chairman to present an additional report, attached to the Management Report.

"*The Chairman of the Board of Directors shall attach to the report referred to in Articles L. 225-100, L. 225-102, L. 225-102-1 and L. 233-26 a report on the composition of the board, the way in which it prepares and organizes its work, and on the internal control and risk management procedures put in place by the company, with particular attention to the procedures for preparing and processing the accounting and financial data that underlie the parent company's financial statements and, where applicable, the consolidated financial statements. Without prejudice to the provisions of Article L. 225-56, the report shall also indicate any limitations which the Board of Directors has placed on the authority of the Chief Executive Officer.*"

This same Article states in paragraph 7:

"*When a company voluntarily adopts a code of corporate governance written by an association representing business enterprises, the report [. . .] shall also specify which if any stipulations have been ignored and the reasons thereof.*"

In accordance with Article L. 225-37 paragraph 9 of the French Commercial Code, we hereby state that the information stipulated in Article L. 225-100-3 of that Code is published in the Group's 2010 Management Report (the "**2010 Management Report**").

1.2 MiddleNext Code

Starting with the 2008 financial year, the Company voluntarily adopted the recommendations of the AFEP-MEDEF Corporate Governance Code for Listed Companies, dated October 6, 2008.

The Board of Directors, at their meeting of December 1, 2010, voted to comply with the MiddleNext Code, a model which is not only in keeping with the expectations of investors as to corporate governance but is also better suited to a company of our size and the makeup of our shareholders.

The Company applies the fifteen recommendations of the MiddleNext Code.

The Board has been made fully aware of the areas of concern covered by the MiddleNext Code.

2. CORPORATE GOVERNANCE

Appointed by the shareholders, the members of the Board of Directors oversee the economic and financial management of the Group and help set Company strategy. They review and approve the broad strokes of actions adopted and then executed by General Management.

The Board of Directors is always mindful that its work is to be collegial and in compliance with the law, regulations and the recommendations of the MiddleNext Code.

2.1 Internal rules

A member of the Board of Directors represents all shareholders and must always act in the Company's best interest.

The Board of Directors has a set of internal rules (the "**Internal Rules**") which is meant to complete all of the laws, regulations and corporate by-laws to which the Board as a whole and its members in particular are bound.

These Internal Rules were adopted by the Board of Directors on April 14, 2006 and were later amended on February 6, 2007, July 2, 2007, December 18, 2008, April 15, 2010 and April 18, 2011.

Given the major changes in governance occurring in 2010 and the adoption of a new model code of governance, the Board of Directors, at its meeting of April 18, 2011, amended its Internal Rules to recognize, among other changes, the abolition of the Strategy Committee, the updating of the rules limiting the authority of the Managing Director, the criteria defining independent Directors and the rules for determining Directors' compensation. These amended Internal Rules, a copy of which is appended to this Report (see Chapter 4), are in line with the recommendations of the MiddleNext Code concerning internal rules.

In order to adhere to the new AMF recommendation n°2010-07 from November 3, 2010, the Board of Directors, during its meeting on April 18, 2011, adopted the a Code of good conduct related to the prevention of insider information, a copy of which can be found in the section on the Rules and Procedures of the Board of Directors (see chapter 4).

2.2 How General Management is organized and operates

2.2.1 Separation of the duties of Chairman and CEO

Since September 2008, the Board of Directors has chosen to separate the duties of the Chairman and the CEO, in order to comply with current best practices in the area of governance.

This principle was waived, as an extraordinary measure, from February 9, 2010 to May 20, 2010, when Eric Peugeot, Chairman of the Board of Directors, was appointed CEO as well. This decision was made in light of the departure of the former CEO and the pressing need to unify the parties concerned, especially the shareholders, around a person able to enlist their support for the successful execution of the financial restructuring then taking place.

After the bondholders and shareholders had approved new terms for the outstanding bonds, the Board of Directors, meeting on May 20, 2010, voted to separate once more the duties of Chairman and CEO by appointing Fady Khallouf as CEO, replacing Mr. Peugeot, who returned his full attention to the Chairmanship of the Board.

Following his resignation on July 26, 2010, Mr. Peugeot was replaced by Michel Meeus as Chairman of the Board of Directors.

The list of positions held within and outside the Group, along with the principal corporate offices and management positions held during the last five years by the current CEO, the current Chairman of the Board of Directors and their predecessors, appears in paragraph 5.4.1 of the 2010 Management Report.

2.2.2 CEO

Since Fady Khallouf was not an employee of the Company at the time he was appointed CEO, he is not combining a corporate office with an employment contract, which is in accordance with prevailing regulations and Recommendation R1 of the MiddleNext Code.

2.2.3 Deputy Managing Directors

From February 9, 2010 to July 26, 2010, during the time of the financial restructuring, the Managing Director was assisted by two Deputy Managing Directors: Jean–François Azam, Deputy for Operations and François Rivière, Deputy for Finance. They resigned their positions as Deputy Managing Director on July 23 and 26, 2010, respectively.

The list of positions held within and outside the Group, along with the principal corporate offices and management positions held during the last five years by the Deputy Managing Directors, appears in paragraph 5.4.2 of the 2010 Management Report.

2.2.4 Limitations on the authority of General Management

The authority of the General Management is spelled out in a delegation of authority appended to the Internal Rules. This delegation of authority calls for prior authorization by the Board of Directors for any decision notably concerning:

- setting the yearly budget and strategic plan;
- any commitment for an expense or any contractual obligation not approved in the yearly budget and/or in excess of 10% of the amount approved in the yearly budget;
- any acquisition or disposal not approved in the yearly budget;
- expansion into new geographic areas;
- any surety, endorsement or guarantee; and
- any legal action or transaction for a dispute involving more than €1 million.

2.3 Membership of the Board of Directors

2.3.1 Role and members

The Board of Directors is and must remain a collegial forum collectively representing all shareholders and having a duty to act always in the best interests of the Company.

In exercising its lawful prerogatives, the Board of Directors fulfills the following chief functions:

- setting the Company's strategy;
- naming the executive corporate officers charged with managing the Company's execution of this strategy;
- choosing how to organize (with or without a combined Chairman and CEO); and

- overseeing the management and quality of the information provided to shareholders and to the markets through the financial statements or at the time of major transactions.

In accordance with the Company's Internal Rules, the members of the Board of Directors are elected by the General Meeting of Shareholders based on their skills and potential contribution to the Board, while maintaining the standards of independence, ethics and integrity that are expected of them.

The term of directorships set by the by-laws is tailored to the Company's particular needs and, consequently, is in compliance with Recommendation R10 of the MiddleNext Code.

As of December 31, 2010 the Company's Board of Directors consisted of six members:

- Michel Meeus
  - Director since March 19, 2010;
  - Chairman of the Board of Directors since July 26, 2010; and
  - Chairman of the Nomination and Remuneration Committee since December 1, 2010;

- Jean-Pierre Mattei
  - Director since September 22, 2009; and
  - Vice-Chairman of the Board of Directors since July 26, 2010;

- Philippe Dominati
  - Director since June 11, 2009;

- David Fitoussi
  - Board member and Chairman of the Audit Committee since July 26, 2010;

- Georgius J.M. Hersbach
  - Director since Friday, April 14, 2006;

- Fady Khallouf
  - Director since March 19, 2010; and
  - CEO since May 20, 2010.

As of this writing, the membership of the Company's Board of Directors remains unchanged.

The starting and ending dates of terms, the positions held within and outside the Group, along with the principal corporate offices and management positions held during the last five years by the Company's Directors, appear in paragraph 5.4.1 of the 2010 Management Report.

The executive, financial and industry-specific abilities of the Company's Directors, together with their varied experiences, all enhance the deliberations of the Board of Directors.

In accordance with Recommendation R9 of the MiddleNext Code, when the appointment or voting on of a new Director to the Board is put before the ordinary shareholders' meeting, sufficient information about the Director's experience and qualifications is provided to the shareholders, and each nomination is voted on in a separate resolution.

2.3.2 Independence

A member of the Board of Directors is deemed independent if he or she has no relationship with the Company, its Group or General Management that might compromise his or her freedom of judgment.

As of this writing, of the six sitting members on the Board of Directors, three are independent as defined by the MiddleNext Code. These are Messrs. Dominati, Matei and Fitoussi.

They are in fact neither employees nor corporate officers of the Company or a Group company, nor have they been within the past three years. These independent members are not major shareholders in the Company, have no family connection to a corporate officer or major shareholder, and have not acted as auditors to the Group within the past three years.

Finally, they are also not significant customers, suppliers or bankers to the Company or the Group or for whom the Company or the Group represents a significant share of business. On that point, the Board of Directors has found, at its meeting of April 15, 2010, that the contracts for special assignments given by the Company to Messrs Dominati and Mattei did not invalidate the independence of these Directors, inasmuch as the amounts paid to them were not classifiable as employee remuneration but were compensation paid for special assignments under extraordinary circumstances that were, by their nature, extensions of their duties as Directors and so created no conflict of interest.

With three independent directors out of six, the makeup of the Board is in compliance with Recommendation R8 of the MiddleNext Code, which recommends that a Board have at least two independent directors. Accordingly, the work of the Board of Directors is performed with the necessary independence and objectivity.

The three Directors not independent as defined by the MiddleNext Code are:

- Fady Khallouf, who is an executive manager of the Company;
- Georgius J.M. Hersbach, who has business relationships with the Group, primarily as an intermediary in the Group's sales of wind farms;
- Michel Meeus, who is a significant shareholder in the Company. At the close of the 2010 financial year, he held 4,994,162 shares or about 4.53% of the equity and 4.47% of the voting rights in the Company and is, to the Company's best knowledge, the second largest shareholder in the Company. In addition, Mr. Meeus is one of a group of shareholders who together owned 13,660,524 shares or about 12.38% of the equity and 12.24% of the voting rights in the Company as of December 31, 2010.

2.4 How Board of Directors' meetings are run

2.4.1 Preparation for Board meetings

In accordance with Recommendation R11 of the MiddleNext Code, the Directors receive the information and documents concerning items on the agenda of Board of Directors meetings several days in advance of the meeting. This gives them an opportunity to preview the topics that will be discussed. Particularly sensitive or urgent topics may be discussed without prior distribution of materials or with prior communications closer to the meeting date.

To facilitate their participation at Board meetings, Directors are allowed to attend in person, by telephone conference or by video conference. The Board nonetheless prefers that Directors attend Board meetings in person to foster discussion (which was the case for 67% of Board meetings during 2010).

The Board of Directors is chaired by Michel Meeus, who organizes and directs the Board's work and reports on it to the Company's shareholder meetings. He makes certain that the Board reviews every agenda item. He ensures that the Company’s management bodies function effectively and, in particular, that the Directors are in a position to carry out their duties.

The Board of Directors has also named a Vice-Chairman, Jean-Pierre Mattei, who runs the discussions in the absence of the Chairman.

2.4.2 Activity of the Board of Directors during financial year 2010

The Board of Directors met 27 times in 2010, or an average of 2.25 times per month.

Such frequent meetings reflect how heavily the Board is involved and how often it is consulted, which has been particularly necessary given the Company's financial difficulties, as well as the need for designing and implementing a financial restructuring plan (see paragraph 2.1.1 of the 2010 Management Report).

	18-Jan-10	29-Jan-10	8-Feb-10	9-Feb-10	22-Feb-10	24-Feb-10	8-Mar-10	11-Mar-10	18-Mar-10	19-mars-10 - 11:15	19-mars-10 - 15:00	29-Mar-10	15-Apr-10	20-Apr-10	7-May-10	18-May-10	20-May-10	31-May-10	1-Jun-10	15-Jun-10	21-Jun-10	26-Jul-10	2-Sep-10	14-Sep-10	8-Nov-10	15-Nov-10	1-Dec-10	Total Attendance	% attendance
CREUZET Gérard											•	•	•	•	•	•	•	•	•	•	•	•	•	•				14	100%
DOMINATI Philippe	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	27	100%
FERRAN Louis	•	○	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•				23	96%
FITOUSSI David																							•	•	•	•	•	5	100%
HERSBACH George	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	27	100%
KHALLOUF Fady											•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	100%
LEROY Philippe	•	•	•	•	•	•	•	•	•	•	•	•	•	○	•	•	•	•	•	•	•	•	○	•				22	92%
MATTEI Jean-Pierre	•	○	•	•	•	•	•	•	•	•	•	•	•	•	○	•	•	•	•	○	•	•	•	•	•	•	•	25	93%
MEEUS Michel											•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	100%
PEUGEOT Eric	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•						22	100%
VAN'T NOORDENDE Marc	•	•	•	•	•	•	•	○	•	•																		9	90%

Symbol • director present
○ director excused

The rate of attendance by Directors is very high (96% in 2010 versus 92% in 2009, 93% in 2008 and 90% in 2007). The average length of a meeting in 2010 was 2 hours, 35 minutes.

The frequency and duration of meetings are in compliance with Recommendation R13 of the MiddleNext Code.

During the 2010 financial year, the Board of Directors dealt primarily with the following items:

- oversight of the design and implementation of the Company's financial restructuring plan and of the additions to equity (various meetings throughout the year);
- authorizations to make surety deposits, endorsements and guarantees (various meetings throughout the year);
- authorization of related-party agreements (meetings of May 7, June 15 and July 26, 2010);
- certification of an addition to equity made at the end of the vesting period for restricted stock (meetings of January 18 and February 22, 2010);
- certification of an addition to equity following the conversion of OCEANE bonds into stock (meeting of November 15, 2010);
- review of the Parent Company financial statements for the year and half-year and of the 2009 Management report (meetings of April 15, April 20 and September 2, 2010);
- review and approval of the 2009 AMF registration document (meetings of May 7 and May 31, 2010);
- governance of the Company, guidelines for General Management and operation of the Board of Directors (various meetings throughout the year);
- policy on Directors' fees (meetings of February 22, April 15 and September 2, 2010);
- appointing a new CEO and setting his compensation (meetings of February 9, February 22 and May 20, 2010);
- appointing two new Deputy Managing Directors and setting their compensation (meeting of February 9, 2010);
- giving notice of the General Meeting of Bondholders on February 18, 2010 and drawing up draft resolutions (meeting of January 29, 2010);
- giving notice of the combined shareholders'/general meeting on March 19, 2010 and drawing up draft resolutions (meeting of January 29, 2010);
- giving notice of the Annual General Meeting of Shareholders on June 1, 2010 and drawing up draft resolutions (meetings of April 15 and 20, 2010);
- giving notice of the Ordinary General Meeting of Shareholders on December 17, 2010 and drawing up draft resolutions (meeting of November 8, 2010);
- change in members of the Nomination and Compensation Committee, the Audit Committee and the Strategy Committee (meetings of March 19, June 1 and July 26, 2010);
- appointment of a new Chairman of the Board of Directors (meeting of July 26, 2010);
- election of a new Director (meeting of July 26, 2010);
- amendments to the Internal Rules (meeting of April 15, 2010);
- approval of the delegations of authority made within the Group (meetings of February 22 and April 15, 2010);

- review of the Audit Committee's charter (meeting of March 29, 2010);
- review of the Group's strategic thrusts and the Business Plan (meeting of November 15, 2010); and
- review and approval of the stock option plan for General Management and employees (meeting of December 1, 2010).

2.4.3 Assessment of the Board's operations

At regular intervals the Board of Directors undertakes an assessment of its own operations. Once a year, it makes a yearly review of its work, and a formal assessment is undertaken every three years, performed by one of the independent directors, with the help of an outside consultant. The assessment of the Board's work is carried out in accordance with Recommendation R15 of the MiddleNext Code.

On March 30, 2009, the Board of Directors engaged an outside expert to produce an assessment of the organization and operation of the Board of Directors.

This assessment was done through individual interviews with each Director. The questionnaire was prepared following industry practices and tailored to the Group's needs.

The conclusions were presented to the Board in August 2009.

The process resulted in guidelines for improving the way the Board is organized and run, and the majority of these were implemented by the Board. These primarily included:

- strengthening the Board's oversight role;
- standardizing and organizing the agenda;
- reviewing Directors' potential conflicts of interest at the start of every Board meeting;
- giving more ongoing information to Board members, through a monthly activity report from General Management;
- distributing the minutes of Board meetings within a reasonable time after the meeting;
- an annual review of the operation of the Board itself and its committees;
- improvements to the Directors' charter; and
- adding professional skills to the Board of Directors, by researching and specifying the desired profiles of new Directors.

After the December 31 closing of the 2010 financial year, the Board of Directors will undertake a yearly review of the operation of the Board itself and its committees. The main conclusions of this assessment will be published in the FY 2011 Report of the Chairman of the Board of Directors on corporate governance, internal control procedures and risk management.

2.5 Special committees of the Board of Directors

Since 2006 the Company has had an Audit Committee and a Nomination and Remuneration Committee. From March 19, 2010 to July 26, 2010 the Company also had a Strategy Committee. This organization complies with Recommendation R12 of the MiddleNext Code.

2.5.1 Audit Committee

On the date of this Report, the Audit Committee consisted of:

- David Fitoussi, Chairman of the Committee since July 26, 2010, independent director, with accounting and financial qualifications;
- Jean-Pierre Mattei, independent director, with accounting and financial qualifications; and
- Philippe Dominati, independent director, member of the Finance Committee in the French Senate.

Philippe Leroy, independent director, was Chairman of the Audit Committee until July 26, 2010.

Chief responsibilities

The Audit Committee helps the Board of Directors to oversee the accuracy and fairness of the Parent Company and Consolidated financial statements, the quality of internal controls and of information provided to shareholders and securities exchanges.

The Audit Committee's charter was approved by the Board of Directors on April 15, 2010.

Particular responsibilities of the Audit Committee include:

- ensuring the effectiveness of internal control and risk management systems;
- undertaking regular reviews with General Management of the main risks incurred by the Group, specifically by drawing up a risk map;
- supervising the selection and renewals of the Legal Auditors, advising as to the fees requested by them, and submitting the results of its work to the Board of Directors;
- making sure the ancillary assignments given to the Legal Auditors do not compromise their independence;
- reviewing the Legal Auditors' work program, conclusions and recommendations;
- satisfying themselves, based on interviews with General Management and the Legal Auditors, that the accounting methods used in preparing the Parent Company and Consolidated financial statements are appropriate and ongoing, reviewing and assessing the consolidation scope, and reviewing and verifying the appropriateness of accounting policies applied at the Group level;
- reviewing the Parent Company and Consolidated financial statements, before they are presented to the Board of Directors; and
- monitoring the process for preparing and communicating financial data and, if necessary, supervising the same.

The Audit Committee meets at least four times a year. It schedules its own meetings. However, the Committee can meet at the request of its Chairman, of two its members or of the Chairman of the Board of Directors.

Work done by the Audit Committee in 2010

The Audit Committee met five times in 2010, with all members present. The Legal Auditors attended the meetings of May 12, 2010 and August 25, 2010. The current members of the Audit Committee were present at the meetings of August 25 and 30, 2010.

The necessary accounting and financial documents, in particular those to do with the preparation of the annual financial statements and the review of half-yearly statements, are forwarded to the committee prior to the relevant meetings.

During the financial year, the Audit Committee involved itself primarily with the following items:

- reviewing the annual and half-yearly Parent Company and Consolidated financial statements (meetings of April 6 and August 25, 2010);
- reviewing the fees of the Company's Legal Auditors (meeting of April 12, 2010);
- drawing up the Audit Committee's charter (meeting of March 1, 2010);
- requesting special internal control assignments at subsidiaries (meeting of March 1, 2010);
- selecting the Legal Auditors to replace the Coexcom firm, which had resigned (meeting of August 30, 2010);
- approving the schedule for preparing the 2009 yearly financial statements, the management report and the Chairman’s report on internal controls (meetings of March 1 and April 12, 2010).

The Chairman of the Audit Committee reported to the Board of Directors on every meeting of the Committee.

2011 outlook

A survey of the Group's principal risks will be at the center of the Audit Committee's work in 2011.

As part of the strategy of building an integrated Group and developing cross-cutting staff and line functions within the Group, the risk-mapping developed in 2009 for the Company and extended to the subsidiaries in 2010 will be continued in greater depth in 2011.

The Audit Committee will also assist the Company in its effort to test the valuations of assets owned by the Group and in bringing on board the Legal Auditors appointed at the end of 2010.

2.5.2 The Nomination and Remuneration Committee

On the date of this Report, the Nomination and Remuneration Committee consisted of:

- Michel Meeus, shareholder and Director, Chairman of the Nomination and Remuneration Committee from June 1, 2010 to July 26, 2010 and once again since December 1, 2010; and
- Georgius Hersbach, non-independent Director.

Eric Peugeot, independent Director and Chairman of the Board of Directors, was a member of the Nomination and Remuneration Committee until February 9, 2010, at which time he resigned owing to his appointment as CEO of the Company.

Louis Ferran, independent director, was Chairman of the Nomination and Remuneration Committee until June 1, 2010, at which time Michel Meeus resumed these duties.

Philippe Dominati, independent Director, was Chairman of the Nomination and Remuneration Committee from July 26, 2010.

He resigned this post on December 1, 2010, when Michel Meeus once again assumed these duties.

Chief responsibilities

The Nomination and Remuneration Committee is specifically responsible for:

- reviewing all candidates for appointment to a seat on the Board of Directors and formulating an opinion or recommendation to the Board of Directors concerning such candidates;
- reviewing the independence of each Director and setting the desired number of the independent Directors to sit on the Board of Directors;
- preparing timely recommendations for future corporate officer/executives;
- making recommendations on the compensation, pension and employee benefit arrangements, benefits in kind, and other pecuniary rights, including from time to time awards of stock purchase or subscription options and restricted stock in the Company, for General Management and any members of the Board of Directors who are also employees; and
- making recommendations on compensation of the members of the Board of Directors.

The Nomination and Remuneration Committee may also be consulted on the appointment of the Company's senior executives and how they are compensated.

The Nomination and Remuneration Committee names it own Chairman. It meets at least twice a year, including once before the agenda of the annual shareholders' meeting has been approved, to review the draft resolutions that will be submitted concerning seats on the Board of Directors and, when applicable, observers (non-voting Directors).

Work carried out by the Nomination and Remuneration Committee in 2010

The work of the Nomination and Remuneration Committee during the 2010 financial year dealt with:

- dividing among the Directors the Director's fees allocated by the ordinary shareholders' meeting of June 11, 2009 and by the ordinary shareholders' meeting of June 1, 2010 (meetings of March 18 and April 14, 2010);

- compensation of the Managing Director and the Deputy Managing Directors (meeting of March 1, 2010);
- awarding restricted stock to senior managers and implementing the anti-dilution provision concerning these shares (meeting of February 18, 2010); and
- reviewing and approving the stock option plan for General Management and employees (meeting of October 28, 2010).

2011 outlook

The Nomination and Remuneration Committee will ensure that the compensation of the Group's employees are internally consistent and in line with the Company's strategy. It will also analyze the applicable rules as to Director's fees and awards of restricted stock and stock options. It will make contact with and assess the candidacies of potential new members of the Board of Directors.

2.5.3 The Strategy Committee

The main assignment of the Strategy Committee, created on March 19, 2010, was to analyze and clarify the strategic plans submitted to the Board of Directors and to monitor the execution and development over time of significant operations underway.

With the separation of the duties of Chairman and CEO on May 20, 2010, the successful financial restructuring and the appointment of a new Chairman of the Board of Directors, this Committee was eliminated on July 26, 2010 by a vote of the Board.

2.6 Compensation guidelines for executive management

The compensation of executive management is fixed by the Board of Directors based on a report by the Nomination and Remuneration Committee.

2.6.1 Compensation of executive management who are not Company executives

The amount of compensation and payments received by directors who are not Company executives is presented in the 2010 Management Report in paragraph 5.6 (*Compensation of executive management who are not Company executives*) in an exhaustive, substantiated, accurate, readable, and transparent manner.

Directors' fees

The ordinary shareholders’ meeting of June 1, 2010, voting under the conditions of quorum and majority required for ordinary shareholders’ meetings, having reviewed the report by the Board directors, decided to set the overall annual amount of directors’ fees allotted to members of the Board of Directors for 2010 and subsequent years at €510,000, until otherwise decided by the ordinary shareholders’ meeting.

The distribution of directors’ fees among the members of the Board of Directors is conducted based on the actual attendance of the directors at the meetings as well as their work on the committees and their involvement, in accordance with recommendation R 14 of the Middlenext Code.

Since the appointment of Fady Khallouf as CEO, the rules of good governance, according to which a director does not receive directors’ fees for any period during which he or she exercises executive functions in the Company, are once again being obeyed by the Company.

Accordingly to what the Board of Directors has decided, upon the proposal of the Nomination and Remuneration Committee, that the directors’ fees will be distributed between the directors in 2010 in the following manner:

- €30,000 (on an annual basis) to each director for their functions as a director (reduced to €22,500 in the event of an attendance rate at Board meetings of lower than 75%);
- €15,000 to the Chairman of the Audit Committee;

- €11,250 to each member of the Audit Committee (reduced to €8,500 in the event of an attendance rate at Committee meetings of lower than 75%);
- €12,000 to the Chairman of the Nomination and Remuneration Committee and the Chairman of the Strategic Committee; and
- €9,000 for each member of the Nomination and Remuneration Committee and the Strategic Committee (reduced to €6,750 in the event of an attendance rate at Committee meetings of lower than 75%).

These guidelines have been applied and have resulted in a payment of directors' fees among directors who are not Company executives of an overall gross amount of €391,276 for 2010.

In order to respond in particular to the cost reduction policy being undertaken by the Company, the Board of Directors has decided not to distribute the balance of the directors' fee package approved by the ordinary shareholders' meeting (€118,724).

Exceptional missions

In March 2010, Company directors Philippe Leroy, Jean-Pierre Mattei, and Philippe Dominati completed exceptional missions for the Company and received exceptional compensation for them. Considering the work and missions completed by these directors, this compensation fell within the special framework of the Company Financial Restructuring Plan. These missions are described in paragraph 5.6.3 of the 2010 Management Report and primarily affected:

- the coordination of the work performed by various Company boards;
- the verification of the strategic, market, and investment options proposed by the Company boards;
- the supervision of the preparation of documents related to Restructuring, review of all external Company financial communications;
- the redefinition of communications relating to Company strategy, definition of key messages to be delivered to strategic Company discussion partners;
- the supervision of any contacts useful for the completion of the Financial Restructuring Plan;
- the supervision of Company relations with the AMF;
- the participation, at the request of the Chairman and CEO, in meetings with Company shareholders, executives, and consultants, etc.

These missions resulted in the payment of a total of €430,000 for the work completed.

These exceptional mission agreements constitute regulated agreements as defined by Articles L.225-38 et seq. of the French Commercial Code. They were authorized by the Board of Directors meeting of March 19, 2010 and are covered in the special report of the Statutory Auditors, which was approved by the combined shareholders'/general meeting of June 1, 2010, which approved the financial statements for the year ended December 31, 2009.

Prior to his appointment as CEO on May 20, 2010, Fady Khallouf, director, completed exceptional missions for the Company. The purpose of these missions was to provide special assistance to the Chairman and CEO as part of strategic projects, acquisition opportunities, financial transfers and transactions, analyses, and proposals for the improvement of Company profitability with respect to its operations and development, to reduce risk factors, or to reduce exposures to risks. In exchange for his missions, the Company paid Fady Khallouf a total gross amount of €40,296 for the period from April 15 to May 20, 2010. These missions resulted in an exceptional mission agreement as defined by Articles L.225-38 et seq. of the French Commercial Code. The guidelines for this agreement were authorized by the Board of Directors meeting of April 15, 2010. They will be covered in a report by the Statutory Auditors and be submitted to the ordinary shareholders' meeting called to approve the financial statements for the year ended December 31, 2010.

2.6.2 *Compensation of executive management who are Company executives*

The executives (CEO and Deputy Managing Directors) receive fixed compensation and variable compensation determined based on the achievement of goals defined by the Board of Directors.

It should be noted that some former executives receive a free allocation of shares pursuant to the rules of the plan in force in the Group since December 17, 2000.

The amount of the fixed and variable compensation, as well as the number of free shares allocated, were determined by the Board of Directors based on the executive profiles and are detailed in paragraph 5.5.1 of the 2010 Management Report in an exhaustive, substantiated, accurate, readable, and transparent manner that meets Recommendations R2 and R3 of the MiddleNext Code.

Some members of the Executive Board received or currently receive an additional pension. The details of these benefits are presented in paragraph 5.5.6 of the 2010 Management Report. This practice complies with Recommendation R4 of the MiddleNext Code.

2.7 Terms and conditions for shareholder participation in ordinary shareholders' meetings

All shareholders, regardless of the number of shares they own, have the right to participate in ordinary shareholders' meetings in the following ways:

- personal attendance;
- representation by any person of their choosing under the conditions set forth in articles L. 225-106, I-paragraph 2 s. of the French Commercial Code pursuant to the Order of December 9, 2010; or
- proxy voting (by correspondence).

In order to participate in the meeting, shareholders must submit evidence of their status through the accounting registration of the shares in their name or in the name of the duly registered intermediary for their account at midnight Paris time on the third business day preceding the meeting (hereinafter D-3), or in the registered share account, or in the bearer share account held by their authorized intermediaries.

For registered shareholders, this registration as of D-3 in the registered share accounts is sufficient to allow participation in the meeting.

For bearer shareholders, the authorized intermediaries who hold the bearer share accounts must supply proof of their status as shareholder for their clients directly with the centralizing bank appointed by the Shareholders' Meeting by providing a certificate of participation appended to the unique postal voting form (or by a proxy form) or to the admission card application filled out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

3. INTERNAL CONTROLS AND RISK MANAGEMENT

The internal control process implemented in the Group by the new Executive Board takes place through ongoing controls that were developed according to internal procedures by each of the functional and operational departments. The result of these controls is the submission of reports to the Executive Board and the associated departments on an ongoing basis. The risks thus identified are made known to the Audit Committee, and the Executive Board coordinates the internal efforts to remedy them.

At the request of the Chairman of the Board of Directors and the Managing Director, the Legal Department has compiled the items relating to the procedures in place with respect to internal controls and risk management. It is in the context of this new internal procedure that on one hand the debt problems related to the Operation for third parties activity were brought to light and on the other that the accounting errors were acknowledged.

- **Presentation of revenue**

Previously, the production of electricity from wind farms managed for third parties had been recorded as revenue based on the volume produced over the period. It had been incorrectly assumed that the Group was not acting as agent in these transactions, especially because the contract for the sale of electricity to the grid operator had been set up between the Group and the end client and did not involve the owner of the asset managed by the Group.

During 2010 an in-depth review of these cases and the contracts between the German subsidiary in question and its clients has been carried out by the Group, notably in reference to paragraph 21 of the Notes of the IAS 18 standard added by the IASB in 2009.

On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

- **Intangible assets**

Upon the acquisition of the company Ventura (since renamed THEOLIA France) in 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the takeover date, the total number of MW evaluated was equal to 104 MW. During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. During the efforts to close the 2010 financial accounts, an accounting error has been identified. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects or should have been amortized. This leads to a restatement of the comparative information related to the period ending December 31, 2009 in application of the IAS 8 standard “Accounting policies, changes of accounting estimates and errors”.

These problems that have been discovered thanks to a new internal control and risk management procedure encourage us to remain vigilant and to continue our ongoing efforts to improve this control process.

The internal control process implemented within the Group takes into account the opinions and recommendations of the Autorité des Marchés Financiers (“**AMF**”). This Report was prepared with the help of the implementation guide for small- and mid-cap companies of the internal control reference framework published by the AMF in February 2008. The Company has applied this referential ever since it was set up.

However, as with any system of controls, the Company’s internal control mechanism can provide only reasonable assurance, not an absolute guarantee, of the total elimination of risks.

3.1 Internal control definitions and goals

Internal controls are an integral part of the Group’s governance strategy. They are implemented to help the Chairman and Executive Board in their considerations of risk management. Internal control procedures are applicable to all companies included within the scope of consolidation. In certain areas, these procedures vary depending on whether the relevant entity is located in France or in another country.

Internal controls are a management lever for the Group. Their purpose is to guarantee:

- compliance with laws and regulations;
- securing of decisions made within the Group;
- application of instructions and general guidelines set by the Executive Board;
- proper functioning of internal Company procedures, especially those meant to protect its assets;
- control of all risks resulting from Company business activity and risks of error and fraud;
- consistency between Group actions and values;
- reliability of financial information; and
- in general, contribution to the control of its activities, the effectiveness of its operations, and the efficient use of its resources.

3.2 Internal control components

Internal control and risk management mechanisms are adapted to the characteristics of the Group. They are comprised of an organizational framework that clearly defines the roles and responsibilities of every participant (§ 3.2.1), an effective risk management process (§ 3.2.2) and the control of the internal distribution of information (§ 3.2.3).

3.2.1 An organizational framework that clearly defines the roles and responsibilities of every participant

The recent organization of internal controls and risk management implemented by the new Executive Board in 2010 made it possible for the Company to continue its efforts and strengthen the deployment of the cross-departmental procedures that enable greater harmonization of activities within the Group and guarantee feedback on information from the subsidiaries.

Internal controls and risk management involve all actors in the Group. Its major participants, both internal and external, are:

- the Board of Directors;
- the Audit Committee;
- the Legal/Human Resources Department;
- the Project Financing, Cash Flow, and M&A Department;
- the Accounting/Consolidation Department;
- Management Auditing;
- the Industrial and Project Audit Department;
- the IT Department;
- the Executive Boards of the subsidiaries; and
- various service providers for accounting, tax, or legal matters.

Through the clear definition of the roles and responsibilities of each Group participant, this new organization of the internal control processes has made possible the cancellation of the positions of "Internal Control Manager" and "Internal Audit Manager".

3.2.2 An effective risk management process

In order to guarantee permanent growth and the achievement of its goals, the Group seeks to anticipate and manage the risks to which it is exposed in its business activities.

The principal risk factors are identified and analyzed in the 2010 Management Report (see paragraph 4 "*Principal risk factors*"), where the procedures to better anticipate and handle them are also mentioned.

The definition of significant risks is theoretically undertaken by the General Management of the Company, in close collaboration with its Audit Committee, then implemented by the various divisions and departments of the Company.

The risk identification and evaluation process continued to take place throughout 2010. This identification of risks is part of an ongoing process and covers risks that may have a significant effect on the financial and operational position of the Group. The mapping of Group risks, which was updated as a result in 2010, includes all risks related to Group subsidiaries and to projects (the previous risk mapping was prepared for holding companies only). The General Management and the Audit Committee use this mapping as a basis for the launching of any audit mission that may be necessary from time to time.

3.2.3 The control of the internal distribution of information

Internally, relevant information must be identified, gathered, and distributed in a form and in a timely enough manner to allow everyone to manage and control the operations for which he or she is responsible.

Accordingly, all committees (Audit Committee and Nomination and Remuneration Committee) are subject to formal reports based on the decisions made and actions to be taken to guarantee the sharing of relevant information with all Group employees.

Meetings between the General Management, the Company departments, and the General Management of each subsidiary are organized based on Group priorities as they try to take cash assets into account. For 2011, there are plans to organize these meetings on a regular, monthly basis.

Meetings are organized with all head office employees and the General Management in order to present the major actions undertaken and the challenges for the upcoming period.

Meetings are also organized with the employees of the major subsidiaries and the General Management.

3.3 Group procedures regarding internal controls

Throughout 2010, the Group has strengthened its procedures regarding internal controls with respect to the preparation and processing of accounting and financial information (§ 3.3.1) and the new procedures that enable information feedback and the standardization of Group practices (§ 3.3.2).

3.3.1 Procedures regarding internal controls with respect to the preparation and processing of accounting and financial information

Group accounting and financial information is prepared and treated in accordance with the procedures for the closing of financial statements and consolidation, the monitoring of cash flow, financial communication, and verification of the application of the laws and regulations in force.

Closing of financial statements and consolidation

The financial statements for the principal French companies, as well as their consolidation sets, were prepared by the accounting and financial staff of the holding company until the third quarter of 2009. This team worked under the authority of the Group Accounting and Consolidation Director, who in turn is under the authority of the Group Chief Financial Officer, a function currently held by the Company's CEO. Starting with the last quarter of 2009, the France subsidiary became responsible for the financial statements of its subsidiaries and the consolidation sets.

The financial statements of the foreign subsidiaries are prepared under the responsibility of the executives of those subsidiaries. The reporting statements are submitted to holding company and are controlled by the consolidation staff under the responsibility of the Group Chief Financial Officer.

For the preparation of the consolidated financial statements, verification procedures are applied at each stage of the information submission and treatment process. More specifically, it is their purpose to verify on a semi-annual basis:

- the correct adjustment and elimination of internal transactions;
- the verification of consolidation transactions;
- the proper application of standards; and
- the quality and homogeneity of the accounting and financial data that was consolidated and published, including consistency of accounting data with the management data used to prepare financial information.

As part of the preparation of the financial statements, the Group was assisted by experts in various fields, including the application of IFRS to financial consolidation.

The reporting and consolidation tool, which is used by all of the entities, guarantees the accuracy and reliability of data with the aid of blocking controls before it is submitted to the Group.

The consolidation procedures manual is revised and updated regularly. It summarizes the accounting principles to be applied, the standards in force, and the procedures for using computer tools.

Training sessions for financial managers and employees in the principal subsidiaries were conducted in 2010 to give them a more in-depth knowledge of the accounting information systems and improve the quality of the information communicated.

Moreover, following the restatements made to the 2007 and 2008 financial statements (which are detailed in paragraph 3.2.1(C) of the 2009 Management Report), the Group conducted an analysis of the causes of these restatements and the closing procedures were amended as a result. In particular, the Company now requires that the financial statements of its material subsidiaries be closed by the Boards of Directors of those subsidiaries before the closing date for the Group's consolidated financial statements by the Board of Directors of the Company.

In addition, the organizational structure of the Group, which relies on semi-annual reporting from each subsidiary using IFRS and sent by country directly to the parent company in the local currency, without any intermediate aggregation, makes it possible to optimize the submission and completeness of the information.

The Group has a body of rules and accounting and management methods the application of which is mandatory for all consolidated subsidiaries. Consolidation instructions are distributed to the subsidiaries whenever the financial statements are closed. These instructions include a closing timetable, the management team, the scope of consolidation, the Group accounting principles from the notes, and the contents of the consolidation set.

The accounting standards determine the principles necessary for the uniform processing of transactions. They specify in particular the terms for the listing and valuation of off-balance sheet items. They comply with IFRS, which has been the referential for the consolidated financial statements since 2005. The Group's Financial Department continues to be on the lookout for new IFRS being prepared in order to alert and anticipate as much as possible their impact on the Group financial statements.

The processing and centralization of cash flows and the hedging of interest rate risks are guaranteed by the Manager of Project Finance, M&A and Treasury, which ensures the listing of commitments and makes it possible for them to be acknowledged (see paragraph 4.1.1 of the 2010 Management Report).

Investment plans are approved by the CEO and validated by the Board of Directors. Any changes in relation to projections must receive special prior authorization.

The accounting and financial items prepared by the consolidated subsidiaries are subject to, at the very least, limited examination at the closing of the semi-annual financial statements and an audit at the closing of the annual financial statements by the Statutory Auditors. This work also includes the verification of the conversion of financial statements from local accounting principles to IFRS. In accordance with legal requirements, the Company relies on two panels of Legal Auditors to validate accounting information, including restatements of consolidation, through their network of local auditors that consult with various subsidiaries. The remit of these Legal Auditors is to verify that the financial statements provide a true and fair presentation, according to accounting rules and standards, and are a sincere representation of the results of operations for the past year, as well as the Company's financial situation and its assets on the closing date.

At every closing of financial statements, a file is prepared for each of the subsidiaries (corporate financial statements) and for the holding company (corporate and consolidated financial statements).

The internal control procedures for accounting and financial information that are conducted are: the budgetary process, the cash flow monitoring process, etc. In the area of transactions, procedures are meant to guarantee compliance with certain standards that comprise the heart of the Company's business.

Cash flow monitoring

The Group was aware that improvements to its internal controls were necessary as regards the monitoring of the Group cash flow position, especially in a difficult financial environment.

In February 2010, one of the Statutory Auditors (Deloitte & Associés) sent a letter to the Chairman of the Board of Directors stating that he had not received from the executives at the time all of the information that documented the cash flow position of the Group.

Following this letter, the Board of Directors asked Grant Thornton, a financial expert, to conduct a diagnostic of the Group cash flow reporting procedure and verify the exact amount of cash available as of December 31, 2009 (as communicated to the market on January 19, 2010 and explicitly stated in the press release of April 16, 2010). The report dated March 31, 2010 concluded that there were significant weaknesses in the Group internal controls for financial reporting with respect to cash flow These weaknesses include, without limitation:

- insufficient procedures at the level of the Company for the collection of financial information from the foreign subsidiaries, in particular, from Germany, rendering it difficult to reconstruct and verify financial data provided by subsidiaries and, therefore, to obtain reliable projections of their cash position;
- the difficulty of obtaining in advance a relevant estimate of the cash situation due to weaknesses in the cash projection process of the subsidiaries in the very near term;
- erroneous character of financial information provided to the Board of Directors with regard to disposable cash (both projected and real); and
- lack of processes to optimize the cash position of the Group

The Audit Committee and the Group executives worked to define and implement measures that made it possible to improve very quickly the process for preparing Group cash flow projections and reports. In-depth work was conducted by the Group to verify and make reliable the information related to cash flow as of December 31, 2010 as stated in the annual and consolidated financial statements and the Management Report. Accordingly, the improvements put in place or strengthened during 2010 were related to:

- the development of debt management tool for the global management of all Group debt;
- monthly monitoring of Group net debt in the form of a monthly report;
- the updating of all tools to include new European security regulations regarding bank exchanges (payments, etc.);
- the standardization of the Cash Forecast, the securing of projections for France, and the implementation of analysis of discrepancies between projected and actual data for all subsidiaries;
- the securing of the liquidity agreement by integrating its management into the cash flow software;
- an available cash investment policy for the Company and its subsidiaries;
- an interfacing of accounting tools with the cash flow software to secure the transmission of information;
- the rewriting of all banking proxies for all French and Moroccan subsidiaries; and
- the implementation of a signature platform to strengthen security for bank payment orders (encryption key).

Financial communication

As a publicly traded company, the Company must comply with AMF requirements regarding the communication of financial information.

Accordingly, all financial information must be documented internally and verified.

In particular, computer systems must have the security necessary to preserve the reliability of operational, financial, or regulatory data.

Financial communication items are prepared by the Financial Department and distributed in accordance with the procedures decreed by the AMF:

- publication of quarterly revenues, corporate and consolidated financial statements with notes, and reports by the Board of Directors upon the closing of the Group semi-annual and annual financial statements;
- two presentations of Group earnings per year under the aegis of the Société Française des Analystes Financiers (SFAF); and
- distribution of press releases at the closing of the semi-annual and annual financial statements and for events deemed to be significant that may impact the share price.

In addition, the financial communication managers prepare a specific timetable for the distribution to financial markets of up-to-date information about the Group that meets the requirements of the stock market authorities. This timetable is distributed internally.

Finally, the registration document is prepared under the direction of the Financial Communication and Legal Departments, who guarantee the coordination of the various teams participating in its preparation.

Application of laws and regulations

As a publicly traded company, the Company is subject to the regulations in force common to all companies as well as the laws and regulations specifically concerning publicly traded companies (especially the AMF General Regulations).

The Legal Department is in charge of implementing and verifying the application the procedures that ensure compliance with all regulations.

3.3.2 New procedures implemented in 2010

Moreover, in order to anticipate and manage as much as possible the risks that it may face, over 2010, the Group strengthened the implementation of the information submission procedures and the standardization of intra-Group practices, which are steered by each Company department and division.

Legal Department

Since 2010, the Group has implemented various procedures to standardize some of its practices in order to guarantee the management of legal risks and the compliance of its entities with various applicable laws and regulations:

- monthly monitoring reports for Group legal disputes;
- the implementation of semi-annual monitoring reports for Group off-balance sheet items; and
- the implementation of quarterly Group monitoring reports for the Group's scope of consolidation.

In 2011, the terms for the deployment of a high-performance management system for contractual commitments will be studied and implemented.

Human resources

The quality and expertise of Group employees are important elements in the internal control procedures. In 2010, Group human resources policy was based on:

- improvement of the hiring process;
- clarification of the roles of all employees through the implementation of detailed job descriptions;
- the implementation of a common employee evaluation system; and
- investment in training.

Project controls

In addition, as part of the securing of its project portfolio, the Company has implemented:

- monthly reporting on its wind portfolio, thus allowing the continuous updating of the risk levels used to determine the accounting provisions and depreciations to be made;
- an inter-subsidiary "wind bank" working group. This group makes it possible to synergize Group experiences and discuss operational topics of key importance to the Group. It meets once every quarter. A meeting summary is prepared and distributed internally; and
- The monthly report on the production of farms being expanded.

Management controls

The new Executive Board wanted to strengthen management controls within the Group significantly. Significant progress has been made in this area, such as:

- the introduction of a monthly budget (January to December 2010);
- the implementation of a budgetary re-projection cycle (a "reality check" performed in May and October); and
- the implementation of a consolidated medium-term plan.

Computer systems

Beyond the creation of the position of Group Computer Manager in order to secure the Group's computer systems, in 2011, the General Management decided to implement an ERP (*Enterprise Resource Plan*), management software that will be used by the vast majority of Group subsidiaries. The deployment of this software will also contribute to the reliability and securing of the information production process, especially for accounting and financial information

3.4 Monitoring of internal control procedures

It is the responsibility of the General Management, in close collaboration with the Company's Audit Committee, to guarantee that each department and operating division of the Company and the General Managements of the subsidiaries complies with the internal control rules and procedures.

The strengthening of the procedures for submitting information and standardizing practices within the principal Group subsidiaries has resulted in the identification of areas where internal controls could be improved and strengthened for 2010, such as:

- more in-depth risk mapping for all areas of business activity;
- the ongoing security of the project portfolio and project monitoring; and
- the deployment of internal controls in all Group subsidiaries.

Moreover, this ongoing management of internal controls by the General Management makes it possible to set in motion and monitor the internal control procedures in order better to adapt them to the Group's position and activity.

It is the responsibility of the General Management to report information related to internal controls to the Board of Directors and the Audit Committee. The Board of Directors and the Audit Committee may conduct the verifications or take any other initiative that they consider appropriate in order to control any potential dysfunction.

During 2011, the General Management and the Audit Committee will continue to deepen their control of risks and strengthen inter-departmental cooperation within the Group, so that the technical expertise of each subsidiary is made available to the whole Group in an effective manner.

4. NOTE : COMPLETE TEXT OF THE RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

PREAMBLE

The members of the THEOLIA Board of Directors adhere to the following set of working rules, which constitute the Rules and Procedures of the Board of Directors. The Rules and Procedures fall within the framework of recommendations aimed at ensuring respect for the fundamental principles of corporate governance. The THEOLIA Board of Directors now operates in accordance with the principles of corporate governance as outlined in the MiddleNext Code for small and mid-cap stocks.

These Rules and Procedures are applicable to all directors, current and future, and are intended to complement legal, regulatory and statutory rules in order to clarify the organizational procedures for the Board and its Committees, to the benefit of the Company and its shareholders. They may not be invoked by shareholders or third parties against the directors of the Company.

1. Duties and faculties of the Board of Directors

1.1. Duties of the Board of Directors

The Board of Directors determines the Company's business activity and oversees its implementation.

The Board is a collegial body that collectively represents all shareholders and is obligated to act in all circumstances in the corporate interest of the Company.

Subject to the powers expressly granted to the shareholders and within the limits of the corporate purpose, it considers any question that interests the proper operation of the Company and settles through its proceedings the matters concerning it. The Board of Directors carries out the controls and verifications that it deems appropriate. The Chairman or the Chief Executive Officer of the Company shall provide each director with the information necessary to fulfill his or her mission.

1.2. Composition of the Board of Directors

In accordance with the law, the Board of Directors of the Company is composed of three to eighteen members, except where exempted by law, including in the event of a merger.

The term of office of directors appointed or reappointed shall be three years. The term of each director is always renewable. However, directors who reach the age limit of 70 years are deemed to have automatically resigned. The directors of the Company:

- contribute their skills and professional experience; and
- have a duty of vigilance and exercise their full freedom of decision.

This freedom of decision allows them to participate, with complete independence, in the work or decisions of the Board and, where applicable, its Committees.

1.3. "Independent" directors

There are several criteria that demonstrate the independence of Board members, characterized by the absence of significant financial, contractual or familial relationships liable to weaken the independence of the director's judgment, namely:

- not being an employee or executive management member of the Company or any Group company and not having been one for the last three years;
- not being a major customer, supplier or banker of the Company or its Group or one for which the Company or its Group represents a significant share of business;
- not being a reference shareholder of the Company, that is to say, a shareholder owning a substantial interest in a company, thus allowing it to have significant influence in decision-making;
- not having any close family ties with executive management or a reference shareholder; and
- not having been an auditor of the Company during the last three years.

It is the responsibility of the Board of Directors to review once a year, on a case-by-case basis, the situation of each member according to the criteria outlined above. Subject to justifying its position, the Board may consider any of its members to be independent even when he or she does not fulfill all these criteria; conversely, it may also consider that one of its members who meets all of those criteria is not independent.

1.4. The Chairman of the Board of Directors

The Board of Directors appoints a Chairman from among its members, an individual who can be elected for the duration of his or her directorship and may be reelected.

The Chairman presides over the meetings of the Board of Directors and organizes and directs its work, which he or she reports to the General Meetings. He or she ensures the proper functioning of the bodies of the Company and in particular ensures that directors are able to fulfill their mission. He or she has the material means necessary to accomplish his or her mission.

1.5. Terms of exercise of the office of Chief Executive Officer

The Board of Directors determines the terms according to which the Chief Executive Officer exercise his or her functions. In accordance with the provisions of law, the office of Chief Executive Officer is assumed, under its responsibility, either by the Chairman of the Board of Directors or by another individual appointed by the Board of Directors with the title of Chief Executive Officer, who must be under 65 years of age.

The Board must make decisions relating to the terms and standards of the exercise of the office of Chief Executive Officer upon the appointment or renewal of the Chief Executive Officer if the term is separate from that of the Chairman.

The Board of Directors will at all times guarantee the implementation by the Chief Executive Officer of the guidelines that it has defined.

To this end, it entrusts to its Chairman the task of developing and maintaining a trustful and regular relationship between the Board of Directors and the Chief Executive Officer.

1.6. Powers of the office of Chief Executive Officer

Whether this function is assumed by the Chairman of the Board of Directors or by another person, the Chief Executive Officer is vested with extensive powers to act in all circumstances on behalf of the Company. He or she exercises these powers within the limits of the corporate purpose, according to the rules set forth in the bylaws and subject to those powers that the law expressly attributes to shareholders' meetings and the Board of Directors, and limitations set forth in the table below.

The Chief Executive Officer represents the Company in its dealings with third parties.

2. Work of the Board of Directors

2.1. Convening and meetings of the Board of Directors

The Board of Directors meets as often as the interests of the Company require and at least six times a year, when convened by its Chairman.

Meeting notices, which may be sent by any person authorized to this effect by the Chairman of the Board of Directors, are given by letter, telex, telegram, fax, e-mail or verbally. They specify the location of the meeting, which may be the registered office or any other place.

A register of attendance is kept at the registered office; it is signed by members the Board of Directors who attend the meeting, on their own behalf or on behalf of the other members of the Board of Directors that they represent. Proxies given by letter, or by fax, telex, telegram or e-mail when the procedures for the certification of electronic signatures have been set, are attached to the attendance register.

The recording secretary is appointed by the Chairman.

2.2. Information for members of the Board of Directors

All documents necessary to inform administrators about the agenda and issues submitted for consideration by the Board of Directors are attached to the notice of meeting or sent or delivered to them within a reasonable period prior to the meeting. Directors must ensure that they receive sufficient information in a timely manner so that the Board may validly deliberate. It is their responsibility to request from the Chairman the items that they consider essential to their information in a timely manner. Information relating to the Group communicated to directors in the course of their duties is given in confidence. They must personally protect its confidentiality and shall not disclose it under any circumstances. This obligation applies also to representatives of directors who are legal persons. The Chief Executive Officer or any person authorized by him or her provides directors with information useful at any time during the life of the Company between meetings of the Board of Directors, if the importance or urgency of the information so requires.

In addition, the Chairman the Board of Directors shall provide each new director with a standard set of documents to enable him or her to become quickly well versed in the business of the Board. This set of documents addresses, notably:

- Regarding governance:
  - bylaws;
  - rules of Procedure of the Board of Directors;
  - Chairman's report on the operations of the Board of Directors and internal controls;
  - summary of the evaluation of the Board (if it exists);
  - the minutes of Board meetings from the past three years;
  - description of procedures for securities transactions by directors and the disclosure of information that may affect the share price;
  - procedure for managing conflicts of interest (rules for participation in debates and prohibition of participation in voting);
  - biography and contact details of directors, principal officers and the Secretary of the Board;
  - details of the executive Liability insurance established by the Company; and
  - reports of recent Board committee meetings.
- Regarding the activities of the Company:
  - most recent registration document published;
  - share price of the Company during the last 12 months;
  - three-year strategic plan;
  - annual budget (investment and operations) and financing plan;
  - performance indicators used by the Chief Executive Officer, including those relating to the creation of value for the Company;
  - key data on major competitors;
  - elements for predicting activity in upcoming months;
  - cash flow forecast for a minimum of three months; and
  - indicators for monitoring the components of working capital requirements.

This standard set of documents will be updated regularly.

2.3. Attendance at meetings of the Board of Directors by means of telecommunication or videoconferencing

Prior to each meeting of the Board of Directors, at the request of one or more directors, the Chairman of the Board of Directors may decide to authorize them to participate in the meeting by videoconference or by other means of telecommunication (including conference calls).

In accordance with the laws and regulations and Article 14 § 2 of the bylaws, directors attending the meeting by videoconference or telecommunication shall be deemed present for purposes of determining quorum and majority. The characteristics of the means of telecommunication or videoconferencing used must meet specifications for the transmission of the image or at least the voices of participants simultaneously and continuously in order to ensure the identification of directors and guarantee effective participation in the meeting of the Board of Directors.

Otherwise, the directors concerned shall not be deemed present and, in the absence of a quorum, the meeting of the Board will be adjourned.

Participation by means of telecommunication or videoconferencing is excluded in the cases expressly provided by law; as of the most recent update of these rules of procedure, this exclusion concerns meetings of the Board of Directors called to prepare the annual financial statements and related reports.

In the event of a malfunction of the telecommunication or videoconferencing system noted by the Chairman of the Board of Directors, the Board of Directors may validly deliberate and/or continue with only those members physically present once the quorum requirements are met.

The occurrence of any technical incident that disrupts proceedings, including the interruption and restoration of participation by telecommunications or videoconference, shall be recorded in the minutes of the meeting of the Board of Directors.

2.4. Minutes

The minutes recording the deliberations of the Board of Directors shall be signed by the Chairman and one director or in the absence of the Chairman, by at least two directors.

An officer authorized for this purpose may certify copies or excerpts of the minutes of deliberations.

The draft minutes of the most recent meeting of the Board of Directors shall be sent or delivered to all directors no later than the date of the convening of the next meeting.

3. Audit Committee

3.1. Composition

The Audit Committee emanates from the Board of Directors and is appointed by it.

It is composed of three members, including at least two who are independent directors of the Company. However, if the total number of directors is less than seven, the Board of Directors may, for organizational reasons, accept that the Audit Committee be composed of two members, including one who is “independent”. The Board of Directors of the Company elects the Chairman of the Audit Committee from among the independent directors.

A member of the Audit Committee must have a proven financial expertise.

The secretary of the Audit Committee is appointed to each Committee by the Chairman of the Audit Committee.

3.2. Missions

The Audit Committee’s mission is:

3.2.1. Risk Management and internal controls

- to monitor the effectiveness of internal controls and risk management, including assessment of the internal control systems, review the program and results of the audit department and the recommendations and subsequent action given to them, and working relationships with internal controls for financial reporting;

- to conduct regular reviews with senior management of the key risks faced by the Group, including through risk mapping.

3.2.2. Relationship with Legal Auditors

- to control the selection and renewal of Legal Auditors, to formulate an opinion on the amount of the fees charged by them and submit to the Board of Directors the results of its work;

- to examine whether the missions attached are likely to affect the independence of the Legal Auditors;

- to review the of work program of the legal auditors and their findings and recommendations.

3.2.3. Financial information and communication

• based on interviews with the General Management and the Legal Auditors, ensure the relevance and consistency of accounting policies adopted for the preparation of corporate and consolidated financial statements, review and assess the scope of consolidation and examine and verify the adequacy of the accounting rules applied to the Group;

- to review, before their submission to the Board, the corporate and consolidated financial statements;

- to monitor the financial reporting and communication process and provide appropriate supervision.

3.3. Working methods

3.3.1. Attendance at meetings

Only members of the Audit Committee may participate in meetings of the Audit Committee. They are convened by the Chairman of the Audit Committee.

The Chairman, the other independent directors, the chief executive officer, the chief financial officer, the head of internal controls, the external auditors or any other person may attend meetings by invitation of the Committee only. At least once a year, the Audit Committee shall meet to confer with the internal and external auditors without the members of the department present. It is preferable for the Audit Committee to meet with the internal and external auditors in separate meetings. The Audit Committee may meet validly only if at least two members are in attendance.

Before each meeting and on the request of one or more members, the Chairman may decide that the meeting shall take place by teleconference or video conference (members so participating in the meeting are deemed to be present and counted in the quorum accordingly).

3.3.2. Frequency of meetings

Meetings are held at least four times a year, and are convened by the Chairman.

3.3.3. Information provided prior to meetings

The agenda and related documents, prepared according to a standard format, are sent to the Committee members at least one week before the meetings.

3.3.4. Relation between the Audit Committee and the Board of Directors, the other Board Committees, General Management, internal controllers and auditors and the independent auditors. The Committee must report to the Board on its work. It examines all questions put to it by the Board of Directors.

The report of each Audit Committee meeting is sent to the Board of Directors.

The Audit Committee reviews and assesses annually the adequacy of its operating method.

3.4. Powers

The Board of Directors authorizes the Audit Committee to:

- consider all issues within its remit;
- receive all information required to support its mission and request all documents it shall deem useful; and
- have independent access to the company's Legal Auditors.

4. Appointments and Compensation Committee

4.1. Working methods

The Nomination and Remuneration Committee comprises a minimum of three and a maximum of five members appointed by the Board of Directors from among its members. Nonetheless, if the total number of directors is less than seven, the Board may, for organizational reasons, agree that the Nomination and Remuneration Committee will comprise two members.

Committee members are appointed for a term coinciding with their term as director, which may be renewed at the same time as the latter term.

The Committee appoints its Chairman.

Meetings are held at least twice a year, one of these to be prior to the approval of the agenda of the ordinary shareholders' meeting, to review the draft resolutions to be submitted to the meeting concerning the positions of the Board members and, as applicable, of non-voting members.

Convened by the Committee Chairman or half of its members, it meets as and when required.

The quorum for meetings is at least half of its members. No member of the Committee may be represented at meetings.

Minutes of all meetings of the Committee are prepared and circulated to the members of the Committee and to the other members of the Board of Directors. The Chairman or a member appointed by the Committee reports to the Board on its opinions and recommendations for its deliberation.

4.2. Missions

The Nomination and Remuneration Committee is formed pursuant to Article 14§4 of the bylaws.

The Nomination and Remuneration Committee is tasked by the Board of Directors as follows:

- regarding appointments:
    - to examine all applications for appointment to the Board of Directors and to formulate an opinion and/or recommendation on such applications for the Board;
    - to review the status of independent directors among the Company's directors, the desired number of independent directors on the Board of Directors; and
    - to prepare recommendations for succession planning for executive management in due time.

- regarding remuneration:

    - to make recommendations to the Board of Directors regarding remuneration, the retirement and provident scheme, benefits in kind and miscellaneous monetary entitlements, including as applicable the allocation of stock subscription or purchase options and the allocation of free Company shares awarded to the CEO, Deputy Managing Directors and the employees by the CEO; and

    - to make recommendations on compensation of the members of the Board of Directors.

5. Rights and obligations of the members of the Board of Directors

5.1. Knowledge of and compliance with regulatory texts

Prior to taking office, directors declare that they are familiar with:

- the provisions specific to the Company arising in particular from its articles of associations and the provisions of these internal regulations;

- statutory and regulatory texts governing French limited companies with a Board of Directors, especially: the rules limiting holding multiple offices, rules relative to agreements and transactions concluded between the director and the Company;

- the definition of the powers of the Board of Directors; and

- the rules relative to holding and using privileged information, as described in the present Appendix II of the internal Rules and Procedures.

5.2. Acting in the corporate interest

The directors, including non-independent directors, represent all the company's shareholders and must act in the corporate interest in all circumstances. Directors undertake to check that the Company's decisions do not favor one section or category of shareholders to the detriment of another.

Directors are elected by the ordinary shareholders' meeting on the basis of their competence and the contribution they can make to the company's management. The purpose of the internal Rules and Procedures is to enable the exercise of these skills to ensure the efficiency and contribution of each director of the Group, in accordance with the rules governing the independence, ethics and integrity expected from each.

In accordance with good governance principles, directors carry out their duties in good faith, in the best way they deem fit to promote the Company's interests and with the due care expected from a normally prudent person in the exercise of such an office.

By accepting their appointment, all Company directors and all permanent representatives of legal entity directors accept the Rules and Procedures (a copy of which, including the Directors' Charter, is provided on appointment). A director who is no longer compliant with the directors' charter must draw the requisite conclusions and resign as director or as representative of a legal entity director.

Directors are obliged to inform the Board at the start of a meeting of any actual or potential conflict of interest with respect to the items on the agenda, and to abstain from the meeting's deliberations accordingly.

5.3. Effectiveness of the Board

Directors are fully aware that the Board of Directors is tasked with defining the company's missions and values, deciding on its strategic objectives, ensuring the creation of structures and implementation of procedures designed to meet these objectives, overseeing the company's control procedures and providing shareholders with the requisite explanations and information.

Formal votes are taken on the Board's deliberations, particularly regarding fiscal closing, approval of the budget and the draft resolutions to be submitted to the ordinary shareholders' meeting, as well as significant issues for the Group. The Chairman is responsible for assessing the importance of the different matters for which he is responsible.

Directors must pay close attention to the definition and the exercise of the respective powers and responsibilities of the Company's governance bodies.

In particular, they must check that no person may exercise uncontrolled discretionary power in the Company; ensure the satisfactory working of the committees specifically formed by the Board of Directors; ensure that the internal control bodies function efficiently and that the Legal Auditors carry out their mission satisfactorily.

5.4. Independent judgment

Directors undertake to maintain their independence of assessment, judgment, decision and action in all circumstances, and to reject all direct or indirect pressure that may be brought to bear on them, which may come from general management, directors, particular groups of shareholders, creditors, suppliers and, in general, any third parties.

Directors undertake not to seek or accept advantages from the Company or companies linked to it, either directly or indirectly, that may be deemed to compromise their independence.

In all cases, the Board of Directors must ensure that any applicant for membership of the Board is not liable to be in a situation that will give rise to an established and permanent or quasi-permanent conflict of interest.

5.5. Preventing conflicts of interest

By conflict of interest is meant in particular the fact of a director having a personal interest (either directly or indirectly, particularly through legal entities in which they hold a management position, shareholdings or that they represent) in an issue voted on by the Board or directors.

Directors or applicants for appointment as executive management members must immediately provide full disclosure to the Board of Directors regarding any actual or potential conflict of interest that may arise in the context of their term as director, in order to determine whether they should abstain from the Board's deliberations and/or votes.

As part of Company policy to prevent conflicts of interest, directors, who are elected by the ordinary shareholders' meeting for their skills, contribution to the management and development of the Company and remunerated accordingly, shall not receive any remuneration whatever, in any form whatever (fees, invoices, expenses, and so on), either directly or indirectly, from the Group (through legal entities in which they exercise a management position, hold an interest or that they represent), particularly under the terms of business getter contracts, investor relations contracts, or any other financial, technical, or legal-administrative services, with the exception of the directors' fees and non-recurring remuneration paid in accordance with the provisions of Article L. 225-46 of the French Commercial Code.

If it considers that there is an established permanent or quasi-permanent conflict of interest with respect to a current director, the Board of Directors may recommend that s/he resign from his or her position.

It is specified that for the purposes of the application of this Article, remuneration arising from an employment contract or executive management position in a Group company (other than the Company) and expenses related to such remuneration are not affected by the provisions herein.

5.6. Due diligence

Directors must dedicate the required time and attention to their duties. Directors who are considering accepting an office in addition to that held (with the exception of directorships held in controlled, non-listed companies), must inform the Chairman of the Nomination and Remuneration Committee and assess jointly with the latter whether this new duty would allow sufficient availability for their responsibilities to the Company.

The Annual Report includes a statement of the offices held, resigned or accepted during the year by the directors and reports on their presence at the meetings of the Board and the Committees on which they sit. Each member of the Board of Directors undertakes to be diligent:

- by attending all Board meetings, by video conference or teleconference if required, except in the case of a major obstacle;
- by attending all ordinary shareholders' meeting inasmuch as possible; and
- by attending the meetings of the Committees they are members of.

5.7. Confidentiality

The directors and all those involved in the work of the Board of Directors:

- are bound by an obligation of absolute confidentiality with respect to the content of the discussions and deliberations of the Board of Directors and its Committees, as well as with respect to the information and documents presented therein or communicated in the context of preparing their work. This obligation applies in principle, irrespective of whether or not the Chairman has explicitly stated the confidential nature of the information;
- are bound not to disclose information outside the Company on the aforementioned items to the press and media of all forms. It is the responsibility of the CEO to provide the regulatory information to the markets;
- must also refrain from disclosing in a private capacity the information referred to above, including to the Company's personnel, unless for reasons required by the work of the Board of Directors in the context of the duty to inform directors set out in Article 2.2 of these internal Rules and Procedures; and
- are obliged to strictly comply with the statutory and regulatory obligations on insider trading.

The directors and those present at the discussion, whose appointment was made by or proposed to the ordinary shareholders' meeting as a representative of a shareholder or another stakeholder in the Company (such as its personnel), and who are obliged to report on their office to the entity they represent, must agree with the Chairman on the terms under which such information may be disclosed, in order to guarantee the primacy of the corporate interest.

5.8. Market code of conduct

In order to comply with the new AMF recommendation no. 2010-07 from November 3, 2010, the Board of Directors, during its meeting on April 18, 2011, adopted the Code of good conduct concerning insider trading (attached to Appendix II in the internal Rules and Procedures).

5.9. Minimum shareholding

The requirement for directors to hold at least one share in the Company's share capital was lifted by decision of the ordinary shareholders' meeting of June 1, 2010.

6. Compensation of executive management

Directors receive directors' fee, the amount of which is voted by the ordinary shareholders' meeting pursuant to Article 19 of the bylaws. The distribution of directors' fees is decided by the Board of Directors.

The distribution of directors' fees between the members of the Board is decided according to their attendance at meetings, their work on committees and their involvement. Directors' fees comprise:

- €30,000 (on an annual basis) for each director in payment for their duties as director (reduced to € 22,500 in cases where attendance at meetings is under 75%);
- € 15,000 for the Chairman of the Audit Committee;
- €11,250 (on an annual basis) for each director in payment for their duties as director (reduced to € 22,500 in cases where attendance at meetings is under 75%);
- €12,000 for the Chairman of the Nomination and Remuneration Committee; and
- €9,000 for each member of the Nomination and Remuneration Committee (reduced to €6,750 in cases where attendance at meetings is under 75%);

7. Annual evaluation of the performance of the Board of Directors

The Board of Directors conducts an evaluation of its performance at regular intervals:

- once a year, the Board of Directors must devote an item on its agenda to discussion its functioning; and
- a formal evaluation must be conducted at least every three years by an independent director with the assistance of an outside consultant.

The Board of Directors reports on this evaluation to the shareholders in the Annual Report.

8. Changes to the internal Rules and Procedures

These internal Rules and Procedures may be amended by a decision of the Board of Directors.

Appendix I to the internal Rules and Procedures: Limitation of the powers of the General Management

Annual and multi-year budgets and strategic plans				
1.	Preparation of THEOLIA annual and multi-year budgets and strategic plans			**Prior approval by the Board of Directors**
CAPEX				
2.	Projects included in an annual budget or multi-year budget approved by the Board of Directors	2.A	Total expenditure amount not to exceed the amount set in the budget approved by the Board of Directors ahead of time	**No other prior approval by the Board of Directors**
		2.B	The total expenditure amount not to exceed by more than 15% the amount set in the budget approved ahead of time by the Board of Directors	**Prior approval by the Board of directors**
	Unbudgeted projects	2.C	Total expenditure amount does not exceed €1 million	**No other prior approval by the Board of Directors**
		2.D	Total expenditure amount exceeds €1 million	**Prior approval of the Board of directors**
Project financing				
3.	Conclusion of project financing contracts	3.A	Covered by 2.A or 2.B	**No other prior approval by the Board of Directors**
		3.B	Not covered by either 2.A or 2.B	**Prior approval of the Board of Directors**
Company financing				
4.	Conclusion of all Company financing contracts through borrowings or capital			**Prior approval of the Board of Directors**
Acquisitions/Divestments				
5.	Merger with any other company or enterprise	5.A		**Prior approval by the Board of Directors**
	(i) Acquisition of interest in capital or acquisition of any other securities convertible to equity of any other company or (ii) creation or acquisition of a subsidiary	5.B	Covered by 2.A or 2.B	**No other prior approval by the Board of Directors**
		5.C	Not covered by either 2.A or 2.B and not exceeding €1 million	**No other prior approval by the Board of Directors**
		5.D	Not covered by either 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of Directors**
	Any divestment transaction except the direct or indirect disposal of wind farms	5.E	Covered by 2.A or 2.B	**No other prior approval by the Board of Directors**
		5.F	Not covered by either 2.A or 2.B and not exceeding €1 million	**No other prior approval by the Board of Directors**
		5.G	Not covered by either 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of Directors**
	Direct or indirect disposal of wind farms.	5.H		**No prior approval by the Board of Directors**

Contractual undertakings				
6.	Conclusion by THEOLIA of any contract (service or supply)	6.A	Covered by 2.A or 2.B	**No other prior approval by the Board of Directors**
		6.B	Not covered by either 2.A or 2.B and not exceeding €1 million	**No other prior approval by the Board of Directors**
	Conclusion by THEOLIA of any contract (service or supply)	6.C.	Not covered by either 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of Directors**
		6.D	Not covered by either 2.A or 2.B and exceeding €500,000 per year over several years	**Prior approval of the Board of Directors**
New geographical market				
7.	Decision to develop business in a new geographical market (including the acquisition, creation of subsidiaries and the conclusion of joint venture contracts)			**Prior approval of the Board of Directors**
Surety				
8.	Sureties on THEOLIA's assets and personal guarantees	8.A	Specifically covered by 2.A or 2.B and the period elapsed from the date of approval by the Board of Directors and the conclusion of the surety does not exceed 12 months.	**No other prior approval by the Board of Directors**
		8.B	Specifically covered by 2.A or 2.B and the period elapsed from date of approval by the Board of Directors and the conclusion of the guarantee exceeds 12 months	**Prior approval by the Board of Directors**
		8.C	Generally covered by 2.A or 2.B	**Prior approval by the Board of Directors**
		8.D	Not covered by 2.A or 2.B	**Prior approval by the Board of Directors**
Legal disputes				
9.	For all litigation relating to amounts in excess of €1 million, undertaking and abandoning litigation procedures, amiable resolution, declaration of liability by THEOLIA			**Prior approval by the Board of Directors**

Appendix II to the internal Rules and Procedures:

Entire text from the Code of good conduct with respect to the prevention of insider dealing

This code (the "**Code**") sets forth the rules of good conduct with respect to Securities transactions conducted by the directors, the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Managing Directors (if any) (together the "**Corporate Officers**") and the employees of THEOLIA SA (the "**Company**") and of its subsidiaries (the "**Group**"). It also sets forth some of the main legal provisions on which this Code is based.

The Company wishes to ensure a prudent management of its Securities, in accordance with current regulation, and to alert its Corporate Officers as well as its employees in accordance with the precautionary principle, to the rules governing certain transactions involving stock, bonds and transferable Securities issued by the Company and those governing derivatives and other instruments linked to these Securities, i.e. options, units of a collective investment undertaking, etc. (together, the "**Securities**").

Those who fail to obey the rules contained in this Code, or the applicable regulations in general, risk civil, criminal, administrative or disciplinary sanctions. In addition, the negative publicity caused by criminal or administrative investigations into insider dealing, even if it does not result in a formal accusation, could seriously harm the Company's business and reputation.

All of the Corporate Officers and employees of the Group were informed by e-mail of the Code's publication. They are required to become familiar with the Code's rules set forth below and to comply with them.

I – DEFINITIONS

<u>A – Definition of Inside Information</u>

Inside Information is information that:

- has not been made public;
- directly or indirectly involves the Company or one or more of its financial instruments;
- is precise, which is to say information that (i) mentions a number of circumstances or an event which occurred or is liable to occur and (ii) from which it is possible to draw a conclusion as to the possible effect of these circumstances or of this event on the price of the Company's financial instruments or of the financial instruments linked to them; and
- if it were to be made public, would be likely to have a significant effect on the price of the financial instruments in question or the price of the financial instruments linked to them, or to have an effect on the decisions that a reasonable investor would be liable to use as one of the bases for his investment decisions ("**Inside Information**").

In order to promote better understanding of what can be deemed to be Inside Information, Appendix 1, below, sets out examples of decisions made by the Enforcement Committee of the French Financial Markets Authority (*L'Autorité des Marchés Financiers* or "**AMF**"**)** .

The information is deemed to have been made public when it has been brought to the public's attention, (i) by an official press release of the Company, (ii) by a financial notice published in the press on the initiative of persons duly authorized to speak on behalf of the Company, (iii) on the Company's website, (iv) during telephone or video conference calls, (v) during the Company's general meetings, and (vi) during presentations made to the French Society of Financial Analysts.

Generally speaking, Inside Information covers, for example, information pertaining to:

- the company's financial position, i.e.:
    - the situation of the Company and/or of the Group,
    - financial and interim earnings forecasts of the Company and/or of the Group,
    - the Securities' performance outlook,
    - significant changes in the financial position or of the operating earnings of the Company and/or of the Group,
    - a change in the dividend payout policy,
    - the Company's issue of Securities, and
    - Securities transactions such as stock buybacks, granting options or bonus shares, etc.
- the strategy and the expansion plans of the Company and/or of the Group, namely:
    - major acquisition deals or disposals,
    - structural reorganizations or restructuring,
    - a change in control of the Company and/or of the Group,
    - a change in corporate officers of the Company and/or of the Group,
    - negotiations underway pertaining to joint ventures.
- the operational and commercial activity of the Company and/or of the Group, i.e.:
    - identifying sites,
    - the result of wind studies and project completion reports,
    - obtaining new administrative permits such as construction and operating permits,
    - selecting subcontractors, including turbine suppliers,
    - putting together a project financing deal,
    - strategic decisions for developing wind farms, and
    - entering into new major contracts.
- legal disputes, investigations or proceedings involving the Company and/or Group before the courts or judicial, arbitral or administrative authorities.

Inside Information, whether favorable or unfavorable, may be significant inasmuch as it could have an upward or downward effect on the Securities price or could affect an investor's decision to buy or sell Securities.

In the case of any doubt as to whether a piece of information is Inside Information or as to whether to conduct a transaction, the person involved should contact the Compliance Officer (see paragraph II, A, 1.1.3, below).

B – Definition of insiders within the Group and of persons related to them

Under the terms of Article L. 621-18-4 of the French Financial and Monetary Code, issuers whose financial instruments are traded on a regulated market, or for which an application for admission to trade them on such a market was submitted, are required to draw up and to update a list of persons working for the issuer who have access to inside information directly or indirectly relating to the issuers. The list must also name any third parties acting for and on behalf of the issuers who have access to such information in the course of their professional relationship (the "**Insiders**"). The list must be submitted to the AMF in paper form or by electronic mail if so requested by the AMF.

Insiders include the Group's Executive Management, the principal operational or line managers and certain other Group employees who have the power to make management decisions with regard to its development and strategy, as well as outside third party suppliers who, due to their profession or their duties, (i) regularly have access to Inside Information or (ii) periodically have access to Inside Information for a particular event or in preparing for or executing a specific transaction of major importance.

In addition, those persons with close personal ties to an Insider as they are defined in Article R. 621-43-1 of the French Monetary and Financial Code including in particular the spouse (except where separated), the partner to whom they are tied by a civil solidarity pact, a dependent minor or any other relative sharing their domicile for at least one year are classified as "**Related Persons** ".

II – PREVENTING INSIDER DEALING

A – Insiders' obligations of discretion

1.1.1. General obligation to abstain from Securities transactions

The first rule is for any Insider to abstain, until the general public is informed of the Inside Information that he (references to "he" and "him" should be read to refer equally to "she" and "her") holds, from conducting or allowing any transaction to be conducted (acquisition, disposal, exchange, subscription, including through futures or options) on the Securities, whether directly or indirectly (by Related Persons or by any other intermediary), for themselves or for a third party whether or not it is by proxy other than a Programmed Trading Mandate (see paragraph II, A, 1.1.4., below).

1.1.2. General prohibition from divulging Inside Information

The second rule is for any Insider to refrain, by taking all effective measures to this end, from divulging Inside Information, whether inside or outside of the Group, outside the normal scope of his corporate duties or his functions, for any other purpose or for an activity other than those for which it is held.

In particular, any participation in a stock market forum that deals, either directly or indirectly, with the Company on any website is forbidden.

1.1.3. Specific obligations

The Corporate Officers as well as the Related Persons must, where appropriate,

- hold the Securities which they possess in the registered form, either registered with the Company or its agent or registered through an intermediary of their choice such as a bank, financial institution or investment services firm, and
- keep at least 30% of the bonus shares or those resulting from exercising stock options until they leave the Company.

Any Securities transactions deemed to be speculative, such as transactions involving long/short sales, extensions of orders on the deferred payment service, short-term in-and-outs (under six months) or deals involving derivatives when they are matched by hedging transactions are forbidden to Insiders. Hence, the Group's Corporate Officers and employees must not conduct hedging operations on the bonus shares or on the options to subscribe or purchase Securities which they hold.

Insiders must not conduct any Securities transaction for the period:

- between 15 calendar days before the quarterly financial statements are published and the day following the release of this information.
- between a minimum of 30 calendar days before the publication of the Group's annual, six-month, and where applicable, the full quarterly financial statements and the day following the release of this information.

Options to subscribe for or to purchase stock may not be granted (pursuant to Article L. 225-177 of the French Commercial Code) and, once the required holding period has ended, bonus shares may not be sold (pursuant to Article L. 225-197-1 of the French Commercial Code) for the period between (i) 10 trading days preceding and following the date on which the consolidated financial statements, or if these are not available, the annual financial statements, are made public and/or (ii) during the period from the date on which the Company's corporate bodies become aware of a piece of Inside Information and the date following 10 trading days after the date upon which this Inside Information is made public.

Insiders who are directly or in directly involved in a Company transaction, i.e. signing or terminating important commercial contracts, acquisition, disposal, merger, restructuring, etc. with one or more third-party company(ies), especially if their shares are traded on a regulated market, along with any Related Persons, must refrain from conducting transactions on this(these) company's(ies') Securities from the time that they become aware of Inside Information acquired while performing their duties.

Before conducting any Securities transaction, the Group's Corporate Officers and its employees are automatically invited to contact the Group's compliance officer (the "**Compliance Officer**"), Mrs. Fernanda Alonso, Legal Director and HR Manager - (e-mail: fernanda.alonso@theolia.com, tel.: +33 (0) 4 42 904 909).

The Compliance Officer will give her opinion on the Securities transaction envisaged, not only with respect to the applicable legal and regulatory provisions, but also the specific rules contained in this Code. The opinion given by the Compliance Officer is only consultative and the decision whether or not to deal in the Securities is the sole responsibility of the associate in question.

In addition to consulting the Compliance Officer, the Corporate Officers are invited to provide an "after-the-fact" report to the members of the Company's Board of Directors without delay, independently of the transaction statements published on the AMF's website.

In addition to consulting with the Compliance Officer, the Corporate Officers and employees of the Group may also seek legal advice from their usual advisor to obtain additional information on the possibility of conducting the planned Securities transaction or on the applicable regulations.

1.1.4. Programmed trading mandate

Insiders are deemed to be the likely holders of Inside Information at all times, and recent European case history on sanctions for insider dealing (ECJ, December 23, 2009, case C-45/08, Spector Photo Group NV, Chris Van Raemdonck/CBFA) places upon them a simple presumption that they are using Inside Information. Indeed, the fact that an Insider who has Inside Information directly or indirectly conducts a transaction for his own account, or on behalf of someone else, on the Securities that relate to this Inside Information implies that he used this Inside Information, without prejudice to his right to defend himself, particularly the right to be able to overturn this presumption.

So as to escape this simple presumption of the use of Inside Information, the AMF authorizes Insiders to set up *a priori* mandates called programmed trading mandates ("**Programmed Trading Mandate**"). The fact that Insiders set up such mandates leads to the simple presumption they are not engaged in insider dealing unless it is demonstrated they are violating the mandate's rules.

In its recommendation no. 2010-07 of 3 November, 2010, the AMF encourages the directors of publicly traded companies to implement such mandates. In this regard, the Company recommends that each of the Corporate Officers and employees trading in Securities set up a Programmed Trading Mandate.

The Insider must take the initiative to set up a Programmed Trading Mandate, which is entered into for a minimum of 12 months.

The Insider's instructions to his agent, financial institution or asset management company must follow the principles set forth by AMF recommendation no 2010-07 of 3 November, 2010.

The instructions must be executed three months after they are sent to the agent and are irrevocable except in cases of *force majeure* or in the particular cases cited in the AMF recommendation no. 2010-07 of 3 November, 2010. At the time the initial instructions as well as each time it is renewed, the Insider must state that he does not hold any Inside Information that could have a significant effect on the Securities price.

The Insider has a duty not to interfere in the operation of the Programmed Trading Mandate. He must refrain from all contact with the agent and abstain from conducting purchase or sale transactions other than within the scope of the Programmed Trading Mandate pertaining to (i) the exercise of options to subscribe for or purchase Securities, (ii) the sale of Securities exercised on behalf of the Insider that were previously acquired or granted and (iii) subscribing for or purchasing Securities.

The chosen agent must not be the person who manages the Insider's personal and family matters and must provide a statement of independence with regard to the Insider, stating in particular the absence of any family tie as well as the absence of any business ties prior to entering into the mandate.

Insiders who are setting up a Programmed Trading Mandate are required to send a copy of the mandate and of the instructions to the Compliance Officer and to the AMF. The information relating to the purpose of the mandate, i.e. the instructions given to the agent at the time the mandate was entered into and at each renewal, will be posted online on the Company's website by the Compliance Officer.

Any transactions conducted by the agent on behalf of Insiders must be declared (see paragraph II, C below).

B – Insider Lists

Under Article L. 621-18-4 of the French Monetary and Financial Code, the Company is required to draw up, update and make available to the AMF a list of the Group's Insiders.

These lists show the identity and the role of the Insiders, the reasons for their registration and deregistration, as well as the date each of the lists were created and last updated.

These lists must be updated quickly, particularly in the following cases:

- in the event of a change in the reason for registering a person on a list,
- when a new person must be registered on the list,
- when a person ceases to be registered on the list by mentioning the date on which this person ceases to have access to Inside Information.

The Company notifies the Insiders by electronic mail that they are registered on the aforementioned lists, enclosing a copy of this Code to inform them of those legal, regulatory, administrative and disciplinary obligations and penalties applicable should these rules be breached.

The outside suppliers appearing on the Insiders' lists must draw up, update and make available to the AMF a list of the names of persons working there having access to Inside Information in the same manner as the Company. The list must also include outside suppliers having access to such Inside Information within the scope of their professional relationships with them.

The absence of any person from these lists does not in any respect exonerate him from complying with legal and regulatory requirements and does not in any manner preclude the possibility of his being an Insider.

C – Specific obligation for Insiders to individually declare Securities transactions

French law requires that Corporate Officers and more generally those who have the power to make management decisions involving the Company's and/or the Group's development and strategy and who have regular access to Inside Information directly or indirectly involving the Company and/or Group and their Related Persons, must submit to the AMF as well as to the Company, the details of those transactions that they conduct (acquisitions, subscriptions, exercising options to subscribe for or purchase Securities, the sales or exchanges of Securities, transactions on forward financial instruments or those linked to these Securities) whether it is for their own account or on behalf of a third party under the mandate. In the case of a Programmed Trading Mandate, the agent may make the statement in the Insider's name. However, the statement must always clearly specify that the transaction was conducted within the scope of the Programmed Trading Mandate.

This statement must state the name and position of the originator of the transaction, the type and number of Securities involved, the type, date and place of execution of the transaction and the price at which it was effected and the value of the transaction, and must be reported by the relevant person by electronic mail to the AMF within five trading days following the date of execution of the transaction. In addition, the author of the report must send one copy of it to the Company within the same time period.

The purpose of these statements is to enable the market to be informed quickly regarding, and to appreciate the significance of, such transactions as may be undertaken in relation to the Securities by corporate officers and, generally speaking, by those who have authority to make decisions on the Company's development or strategy and have regular access to Inside Information directly or indirectly involving the Company, and by persons related to them.

The above statement is not required if the total value of the transactions executed does not exceed € 5,000 in one calendar year.

The named statements of the corporate officers must be addressed directly by electronic mail to the AMF (declarationdirigeants@amf-france.org) and to the Compliance Officer. These statements may then be published on the website of the AMF and on the Company's website.

The Enforcement Committee will be very severe in this regard and will impose financial penalties, particularly if a statement is not made or is late or incomplete.

III – PENALTIES FOR INSIDER TRADING AND THE OBLIGATION TO REFRAIN FROM USING INSIDE INFORMATION

The use of Inside Information may be subject to administrative and judicial sanctions. Any penalties prescribed by law for non-compliance with the above obligations by an insider shall not exclude disciplinary actions that may be taken within the Group.

In practice, penalties imposed by the Enforcement Committee of the AMF are more common than criminal penalties imposed by the criminal courts and may run as high as € 100,000,000 or ten times the value of any profits (Article L. 621-15 of the French Monetary and Financial Code). In conformity with the provisions of Articles 622-1 and 622-2 of the AMF General Regulation, the Enforcement Committee of the AMF shall impose this penalty if the Insider violates the obligation to refrain from:

- using Inside Information that he possesses in buying or selling, or attempting to buy or sell, directly or indirectly, for himself or on behalf third parties, the Securities to which this Inside Information relates.
- (i) communicating this information to another person outside of the normal context of his work, his profession or his position or for purposes other than those for which it was communicated to him and/or (ii) recommending to another person to buy or sell, or having another person buy or sell, on the basis of Inside Information, the Securities to which this Inside Information relates.

In addition, Insider dealing is likewise severely penalized by the criminal courts pursuant to Article L. 465-1 of the French Monetary and Financial Code:

- any Insider who, using Inside Information, conducts or allows to be conducted, directly or through an intermediary, one or more transactions involving Securities, shall be subject to imprisonment for up to two years and a fine ranging from €1,500,000 to as much as ten times any profit realised.
- any Insider who communicates Inside Information to a third party outside the normal context of his profession or position shall be subject to imprisonment for up to one year and a fine of €150,000.
- any person who is not himself an Insider, but who, using Inside Information, conducts or allows to be conducted, directly or through an intermediary, one or more transactions involving Securities, or who communicates Inside Information to a third party, shall be subject to imprisonment for one year and a fine ranging from € 150,000 to as much as ten times any profit made. If the Inside Information involves the commission of a crime or offence, the penalties shall be increased to seven years' imprisonment and €1,500,000 if the value of the profit made is less than this figure.

Appendix 1 of the Code for good conduct with respect to the prevention of insider dealing: examples of information that the AMF Enforcement Committee has deemed inside information

Price sensitive information

- the announcement by an issuer that its income forecasts have not been met is, by nature, liable to have a significant impact on the price of the issued securities.
- the information that a market operator is acquiring a significant share of the capital of an issuer at a price greatly higher than the stock market price is liable, by nature, to have a significant effect on the price of the security. If it were known in the market, it would bring about offers to sell at this price as a minimum, since holders of securities would be guaranteed finding a buyer at this level, and, until the price reached the value set by the purchaser, it would lead to offers to buy on the part of other market operators tempted by a capital gain.
- the issue of securities giving access to capital has the necessary consequence that shares will be issued at the maturity date of the loan, or even during the term of the loan in case of early repayment, such that the price of shares already issued on the date of announcement of the issue of new transferable securities will tend, in the minutes following the announcement of such issue, to align with the share's theoretical value after the dilution that is implied by the issue of securities giving access to capital. In addition, if the issue price of the securities giving access to capital shows a discount compared to the stock price, for example due to prepayment of the coupon, the holders of shares will be led to sell the shares that they hold in order to purchase the securities giving access to capital. As a result, the information on the issue of the convertible bonds would be liable, if known, to have a significant impact on the price of the financial instruments issued.

- information relating to difficulties associated with the establishment of advance payment bonds relating to a contract constitutes information liable, if known, to have a significant effect on the behaviour of investors, insofar as such difficulties, by creating strong pressure on the group's cash, have interfered with the execution of certain contracts, have contributed to a loss of credibility of the group with certain important customers, leading to a loss of market share, and finally have led, as acknowledged by the company, to the opening of receivership proceedings.

Information relating to a planned public takeover

- announcement of a planned public takeover is liable to have a significant effect on the stock price of the company that is the target of the offer.

- a planned simplified public takeover offer, in providing for a premium of over 30% compared to the price of the security for the preceding six months, was liable to cause an adjustment of this stock price toward the price proposed for the offer. Thus the information in question was liable to have a significant effect on the stock price of the target company.

Information about excess stock

- information relating to excess stock of a subsidiary has a direct impact on the working capital requirements, and therefore de facto on the net income of the parent company. In fact, the company's stock price fell following press releases informing the public of a fall in group income. The information in question was thus quite liable to have a significant effect on the stock price.

Announcement by an issuer that its income forecasts will not be met

- the announcement by an issuer that its income forecasts will not be met is, by nature, liable to have a significant effect on the price of the securities.

Information relating to a planned partnership between an energy distributor and an energy producer

- a partnership between a power distribution company and a major producer would allow the distribution company to gain independence from the energy producers from which it had until then been compelled to purchase energy wholesale. Moreover, the entry into the capital of this distribution company by one of the large long-time European operators (for more detail, the decision itself) strengthened its technical and financial solidity, while allowing it to preserve its independence, since the equity stake of its partner remained a minority holding. The information in question thus related to objective facts liable to increase the confidence of a reasonable investor and to lead him to make an investment, such that this information was liable to have a very favourable impact on this company's stock price.

- if it had been made public, the information relating to the planned partnership between the two companies was liable to have a significant impact on the stock price of the distribution company, since it was liable to strengthen confidence in this company's future. This was confirmed by a significant rise in the stock price from the day after the public announcement.

Information relating to the dismissal of the Chief Executive Officer and the delisting of an issuer

- information relating to the dismissal of the Chief Executive Officer and the delisting of an issuer, leading to a measurable downward revision of its previously announced turnover and net income projections, is liable to have a significant effect on the stock price of this issuer.

Information relating to a sizeable transaction to increase the capital of an issuer

- information relating to a sizeable transaction to increase the capital and control of a company is liable to have a significant effect on its stock price.

- information relating to a sizeable transaction to increase the capital of the issuer was liable to have a significant effect on the stock price, which came to pass, since the stock price had suffered a sharp decline when the market listing resumed.

- information involving a transaction to greatly increase the share capital for the issuer involved is liable to have a significant effect on the price of its stock within the meaning of Article 621-1 of the AMF General Regulation. This effect can be evidenced by noting the trend of this security upon resumption of the stock market listing (in this case, the security had suffered a decline of over 19%).

Information relating to accounting irregularities

- information relating to accounting irregularities, if it were made public, would have been liable to have a significant effect on the stock price of this issuer, by revealing to investors that the income of the issuer in question was actually much less satisfactory than announced.

Information relating to the inaccuracy of a press release

- knowledge of the inaccuracy of the press release in question was information that a reasonable investor would have been liable to use as one of the bases for his investment decisions. Thus this information constitutes information liable to have a significant effect on the stock price within the meaning of Article 622-1 of the AMF General Regulation.

Information relating to a planned sale of a significant portion of the company's capital

- information on the sale of a significant portion of the company's capital at a price greatly higher than the stock market price is liable by nature to have a significant impact on the stock price.

- if the announcement, by raising the question of the imminent sale of its stake in the company's equity at a price higher than the stock price, had been known by the market, this information would have caused movement on the security, at least at the agreed selling price. As such, until the stock price reached the value set by the buyer, purchase bids might be put forward by other market operators tempted by a capital gain on sale.

Information relating to a planned acquisition

- information relating to a planned acquisition of a company by an issuer was liable to have a significant effect on the stock price, where the acquisition would lead not only to the enlargement of the issuer but also to the diversification of its business activities and prospects.

Information relating to a planned buyback of the stake of one company in the equity of another company

- this information was liable to affect the stock price of the targeted company, since a reasonable investor would have used this information as one of the bases for his decision. This investor was justified in thinking that such a transaction could only be effected at a price higher than the stock market price in order to have a chance of being accepted. In addition, it was liable to lead to the filing of a public tender offer for all of the shares of the target company, an event that ultimately came to pass and did actually lead to the stock becoming more expensive.

Information relating to turnover

- (a) although, in making an investment decision, turnover is a less important factor than, for example, net income, and although it must be handled cautiously, in consideration with other factors, and taking into account the peculiarities of each sector, nonetheless as an objective and precise piece of data it should not be dismissed as insignificant.

(b) Comparison between the turnover forecast published in the second press release (which corresponded to the turnover made over the first ten months of the year and a projection for the remaining two months to come) and the consolidated annual turnover, known by the issuer prior to its publication, would reveal a strong increase over the course of the last months of the year, both in relation to the preceding quarters and to the previously published forecasts. Comparison of the result of the analyses, following the last press release, likewise showed that the amount of the final turnover then published had exceeded the expectations of the market. Hence, the information relating to the turnover was a type of information that a reasonable investor was liable to use as one of the bases for his investment decisions.

Information relating to a significant decline in the company's turnover

- information relating to a sizeable decline in turnover was liable to have a significant effect on the company's stock price, since any reasonable investor, being informed of a major deterioration of the turnover of this company specializing in game software, and especially at the end of the year, would have used this information as the basis of his decision not to invest in this company or to dispose of an investment in it.

Information relating to improvement of the company's financial situation

- information, insofar as it related to a significant improvement of the company's financial situation, was liable to affect the stock price, which was confirmed in spectacular fashion after publication of the information, which had remained confidential until then.

- information relating to the significant improvement of the company's financial situation is liable to have a significant effect on the price of the financial instruments concerned, since it is information that a reasonable investor would have been liable to use as one of the bases for his investment decisions.

Information relating to the imminent threat of insolvency

- information relating, first to a company's inability to meet its liabilities, despite a capital increase, and second to the requirement to declare itself insolvent, is liable to have a significant effect on this company's stock price.

- public announcement of the filing in the near future of a declaration of insolvency, by a company whose stock is listed on the stock market, is liable to significantly alter the public's confidence in the solidity of the security.

Information relating to the launch of an alert procedure regarding a company's financial situation

- information on the launch of an alert procedure, necessarily implying that the company's ongoing operations are in jeopardy, cannot be compared to information relating to the existence of mere financial difficulties, since in the absence of any particular specification the latter does not have any implication on the survival of the company.

- the existence and persistence of an alert procedure, which presupposes the confirmation of circumstances liable to put the continuation of operations, and even the survival of the company, in doubt, are liable to have a significant impact on the stock price.

Information relating to the financial weakness of the company

- since it reveals that the financial situation of the company was particularly weak and that the company was imminently at risk of entering into insolvency proceedings, the information in question, if known to the public, would have been liable to cause a reasonable investor not to invest in the security or to dispose of investments in that security, and consequently, would have had a detrimental effect on the company's stock price.

NOTE 2 Statutory Auditors' Report prepared in accordance with article L. 225-235 of the French company law (Code de commerce), on the Report prepared by the Chairman of the Board of Directors

Year ended December 31, 2010

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This Report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of THEOLIA S.A. and in accordance with article L.225-235 of French company law (Code de commerce), we hereby report on the Report prepared by the Chairman of your Company in accordance with article L.225-37 of French company law (Code de commerce) for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a Report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by article L.225-37 of French company law (Code de commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and

- to attest that this Report contains the other disclosures required by article L.225-37 of French company law (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's Report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's Report is based and the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;

- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's Report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the Report prepared by the Chairman of the Board in accordance with article L.225-37 of French company law (Code de commerce).

Other disclosures

We hereby attest that the Chairman's Report includes the other disclosures required by article L.225-37 of French company law (Code de commerce).

Paris and Marseille, April 28 2011

The Statutory Auditors

Cabinet Didier Kling & Associés		**Deloitte & Associés**
Didier KLING	Christophe BONTE	Christophe PERRAU

NOTE 3 Table of current delegations granted by the ordinary shareholders' meeting

EGM of May 30 2008	Type of delegation	Purpose	Duration	Term	Limit (in euros)	Used at December 31, 2010	Unused balance at December 31, 2010	Overall limit (in euros)
13th	Delegation of competence	Issue of shares, stock or securities, with cancellation of preferential subscription right	26 months	July 30, 2010	15 million	no	15 million shares	40 million
14th	Delegation of authority	Issue of shares, stock or securities, by freely fixing the issue price	26 months	July 30, 2010	10% of the share capital per year	no	10% of the share capital	
15th	Delegation of authority	Issue of shares, stock or securities for an increase in capital, maintaining or canceling the preferential subscription right in accordance with the 13th and 14th resolutions	26 months	July 30, 2010	15% of the amount of the initial issue under the same terms	no	15% of the amount of the initial issue	
16th	Delegation of competence	Increase in capital by incorporating reserves, profits or premiums	26 months	July 30, 2010	10% of the Company's share capital	no	15 million shares	
17th	Delegation of competence	Issue of shares, stock or securities on a public offering initiated by the Company	26 months	July 30, 2010	15 million	no	15 million shares	
18th	Delegation of authority	Issue of shares, stock, or securities to pay for contributions in kind to the Company	26 months	July 30, 2010	10% of the share capital at the time of issue	no	10% of the share capital at the time of issue	

EGM of May 30 2008	Type of delegation	Purpose	Duration	Term	Limit (in euros)	Used at December 31, 2010	Unused balance at December 31, 2010	Overall limit (in euros)
20th	Delegation of authority	Authorization for the Board of Directors to make free allocations of shares	26 months	July 30, 2010	10% of the share capital on the day of allocation	1 867 111	10% of the share capital on the day of allocation after deducting free shares already allocated	
21st	Delegation of authority	Authorization to grant stock options to staff members and/or executive management of the Group's companies	38 months	July 30, 2011	10% of the share capital on the day of allocation	3,500,000	10% of the share capital on the day of allocation	
EGM of March 19 2010	**Type of delegation**	**Purpose**	**Duration**	**Term**	**Limit (in euros)**	**Used at December 31 2010**	**Unused balance at December 31 2010**	**Overall limit (in euros)**
2nd	Delegation of competence	Share issue conserving preferential subscription right	5 months and 12 days	August 31, 2010	100.8 million	60,463,059	40,336,941	100.8 million
AGM of June 1, 2010	**Type of delegation**	**Purpose**	**Duration**	**Term**	**Limit (in euros)**	**Used at December 31, 2010**	**Unused balance at December 31, 2010**	**Overall limit (in euros)**
7th	Delegation of competence	Authorization to purchase the Company's shares	18 months	December 1, 2011	10% of the share capital at any time	N/A	N/A	40 million
8th	Delegation of authority	Authorization given to reduce the share capital by canceling shares	18 months	December 1 2011	10% of the Company's share capital per 24-month period	N/A	10% of the Company's share capital per 24-month period	

NOTE 4 Special report on free shares

This document includes all the information on the special report by the Board of Directors on the award of free shares in accordance with Article L. 225-197-4 of the French Commercial Code, as follows:

- the number and value of free shares awarded during the 2010 financial year to the Company's executive management (as no award was made by companies linked to it, according to the meaning of Article L.233-16 or by companies controlled by it, according to the meaning of the same article): see paragraph 5.5.5 of the Management Report; and

- the number and value of free shares awarded during the 2010 financial year to the first ten employees who are not Group executive management members: see paragraph 5.10 of the Report.

NOTE 5 Table of Statutory Auditors' fees

	COEXCOM (1)				DELOITTE & ASSOCIES				KLING & ASSOCIES (2)			
	Amount (in euros, excl. Tax)		%		Amoutn (in euros, excl. Tax)		%		Amount (in euros, excl. Tax)		%	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
AUDIT												
Auditing assignment, review and certification and consolidated financial statements												
Issuer	48 750	92 850	65,8	100	292 925	348 300	40,6	54,3	63 200		40,7	
Fully-consolidated subsidiaries					312 595	221 389	43,3	34,5	92 160		59,3	
Sub-total	**48 750**	**92 850**	**65,8**	**100**	**605 520**	**569 689**	**83,9**	**88,8**	**155 360**	**0**	**100,0**	**0**
Other tests and services directly related to the auditing assignment												
Issuer	25 300		34,2		97 246	61 751	13,5	9,6				
Fully-consolidated subsidiaries					15 000	10 000	2,1	1,6				
Sub-total	**25 300**	**0**	**34,2**	**0**	**112 246**	**71 751**	**15,6**	**11,2**	**0**	**0**	**0**	**0**
AUTRES PRESTATIONS RENDUES PAR LES RESEAUX AUX FILIALES INTEGREES GLOBALEMENT												
Legal, tax, employee-related					4 000		0,6					
Other												
Sub-total	**0**	**0**	**0**	**0**	**4 000**	**0**	**0,6**	**0**	**0**	**0**	**0**	**0**
TOTAL	**74 050**	**92 850**	**100**	**100**	**721 766**	**641 440**	**100**	**100**	**155 360**	**0**	**100**	**0**

(1) Statutory Auditor until resigning in December 2010

(2) Statutory Auditor since Deember 17, 2010

NOTE 6 Annual Information Document dated April 1, 2011

Pursuant to Article 222-7 of the AMF's General Rules, and in order to satisfy its legal and regulatory obligations concerning financial instruments, its position as an issuer of financial instruments and the financial instruments markets, the Company has compiled an Annual Information Document setting out all the information published or made public over the last 12 months, i.e. between March 31, 2010 and March 31, 2011.

Financial reports

Publication date	Nature of the information
06/08/2010	THEOLIA publishes its 2009 Annual Reference Document recorded by the AMF
04/21/2010	2009 Annual Financial Report published

Financial information

Publication date	Nature of the information
02/10/2011	THEOLIA publishes its 2010 annual revenues
11/15/2010	THEOLIA announces its revenues for the first 9 months of 2010 and presents its latest operational developments
09/03/2010	THEOLIA announces its 2010 half-yearly results
07/29/2010	THEOLIA announces consolidated revenues of 116 million euros for the first half-year of 2010
05/06/2010	Revenues for the first half-year of 2010 total 31 million euros
04/16/2010	Across the board improvement in THEOLIA's 2009 results

News and press releases

Publication date	Nature of the information
01/05/2011	Half-yearly assessment of THEOLIA's liquidity contract
10/19/2010	THEOLIA commissions its first wind farm in Italy
09/15/2010	THEOLIA's Board of Directors refocuses
07/28/2010	THEOLIA reorganizes its Board of Directors: Michel Meeus is appointed Chairman of the Board of Directors
07/20/2010	THEOLIA successfully completes its capital increase
07/14/2010	Successful capital increase of 60.5 million euros
07/02/2010	Half-yearly assessment of the liquidity contract
06/24/2010	THEOLIA launches a capital increase of 60.5 million euros
05/31/2010	THEOLIA formerly acknowledges the intention of the Concert members to participate in the capital increase
05/24/2010	Fady Khallouf is appointed CEO of THEOLIA
05/17/2010	Notice of the suspension of the share allocation right for bonds with a conversion and/or exchange option for new or existing shares issued by THEOLIA (OCEANEs)
04/29/2010	THEOLIA and Repower Produzione Italia spa sign an agreement for the sale of a 39% stake in a 30 MW wind project in Italy
04/21/2010	THEOLIA and Dortmunder Energie- und Wasserversorgung GmbH sign an agreement for the sale of a 55.5 MW wind farm in Germany

General Meetings

Publication date	Nature of the information
12/17/2010	Results of the votes of the ordinary shareholders' meeting on December 17, 2010
11/12/2010	Ordinary shareholders' meeting on December 17, 2010
06/02/2010	Results of the votes of the ordinary shareholders' meeting on June 1, 2010
04/26/2010	Mixed ordinary and extraordinary shareholders' meeting of June 1, 2010

Other regulatory information

Publication date	Nature of the information
03/11/2011	Number of shares and voting rights on 02/28/2011
02/02/2011	Number of shares and voting rights on 01/31/2011
01/05/2011	Number of shares and voting rights on 12/31/2010
12/07/2010	Number of shares and voting rights on 11/30/2010
11/04/2010	THEOLIA announces new bond conversions
10/06/2010	Number of shares and voting rights on 09/30/2010
09/08/2010	Number of shares and voting rights on 08/31/2010
08/03/2010	Number of shares and voting rights on 07/31/2010
07/02/2010	Number of shares and voting rights on 06/30/2010
06/03/2010	Number of shares and voting rights on 05/31/2010
05/10/2010	Number of shares and voting rights on 04/30/2010
04/07/2010	Number of shares and voting rights on 03/31/2010

These documents are all available on the THEOLIA's website:
www.theolia.com

③ CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010

Financial statement *in thousands of euros*

ASSETS		Notes	12/31/2010	12/31/2009	01/01/2009
	Goodwill	12	71,138	79,460	78,084
	Intangibles assets	13	90,294	91,523	92,260
	Property, plant and equipment	14	278,790	311,858	341,678
	Equity interests	16	10,466	10,915	21,729
	Other non-recurrent financial assets	17	11,016	9,867	10,458
	Deferred taxes assets	26.2	30,144	8,140	9,483
Non-current assets			**491,848**	**511,763**	**553,692**
	Inventory	18.2	19,805	51,814	169,923
	Trade receivables	18.3	30,833	32,492	24,885
	Other current assets	18.4	19,827	22,623	53,900
	Tax debt on income		5,687	5,222	3,475
	Current share of financial assets	17	106	236	296
	Cash and cash equivalents	19	110,432	94,187	90,823
Current assets			**186,690**	**206,574**	**343,302**
	Assets related to discontinued activities		13,201	17,072	19,817
TOTAL ASSETS			**691,739**	**735,409**	**916,811**
LIABILITIES AND SHAREHOLDERS' EQUITY					
	Share capital	21	110,293	39,895	39,747
	Issue premiums		304,947	307,546	307,695
	Other reserves		(198,829)	(177,658)	65,897
	Net income - Group share		5,857	(24,840)	(244,454)
	Shareholders' equity - Group share		**222,268**	**144,943**	**168,885**
	Minority interests		(2,261)	(1,823)	(1,489)
Shareholders' equity			**220,007**	**143,120**	**167,396**
	Non-current financial liabilities	23	255,424	366,179	442,582
	Provisions, non-current share	28	18,316	14,439	4,955
	Staff benefits	27.3	129	79	61
	Deferred tax liabilities	26.2	43,122	22,175	21,393
	Other non-current liabilities		8,060	561	561
Non-current liabilities			**325,051**	**403,433**	**469,552**
	Current financial liabilities	23	92,683	124,302	146,666
	Provisions, current share	28	597	-	16
	Suppliers and other current liabilities	18.5	35,299	41,285	103,228
	Tax and social debts		7,313	10,715	14,352
	Tax debt on the companies		1,062	1,516	2,480
Current liabilities			**136,954**	**177,818**	**266,742**
	Liabilities related to discontinued activities		9,727	11,038	13,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**691,739**	**735,409**	**916,811**

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

Income statement

in thousands of euros

	Notes	12/31/2010	12/31/2009
Revenue		**154,542**	**294,380**
Purchases and changes in inventory		(101,405)	(225,286)
External expenses		(25,360)	(33,613)
Taxes and duties		(1,090)	(1,215)
Personnel expenses	8.1	(11,690)	(11,714)
Amortization	8.2	(17,066)	(21,803)
Provisions	8.2	(16,534)	22,939
Other operating income and expenses	8.3	(1,075)	(319)
Current operating income		**(19,678)**	**23,369**
Other current income and expenses	8.4	(1,807)	(1,856)
Operating income before impairments		**(21,485)**	**21,513**
Impairments	8.5	(12,998)	4,509
Operating income (after impairments)		**(34,483)**	**26,022**
Cost of net debt	9.1	**(24,095)**	**(28,530)**
Other financial income	9.2	83,416	2,685
Other financial income	9.3	(13,695)	(4,964)
Financial income		**45,626**	**(30,809)**
Share in income of related companies	16	(180)	(13,470)
Tax expense	10	(4,490)	2,520
Net income of continued activities		**6,473**	**(15,737)**
Net after tax income of discontinued activities	20.2	(1,480)	(9,439)
NET INCOME of consolidated entity		**4,993**	**(25,176)**
Group share		5,857	(24,840)
From minority interests		(865)	(335)
Income per share of consolidated entity (in euros)	11	0.08	(0.62)
Diluted income per share of consolidated entity (in euros)	11	0.08	(0.59)

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

Total income

in thousands of euros

	12/31/2010	12/31/2009
Net income	**4,993**	**(25,176)**
Exchange differences	78	(125)
Total recorded income and expenses	**78**	**(125)**
OVERALL INCOME	**5,071**	**(25,302)**
Income per share of consolidated entity (in euros)	0.07	(0.63)
Diluted income per share of consolidated total (in euros)	0.03	(0.51)

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

Cash flow statement *in thousands of euros*

	12/31/2010	12/31/2009
Total net income of consolidated companies	**4,993**	**(25,175)**
Income from discontinued activities	1,480	9,439
Elimination of amortization, depreciation and provisions	36,815	18,962
Elimination of change in deferred taxes	4,523	(2,508)
Elimination capital gains/losses from disposals	(510)	6,139
Elimination of income share from equity	180	13,470
Financial expenses	23,468	30,318
Other income & expenses with no effect on cash	(58,899)	2,733
Gross self-financing margin (A)	**12,051**	**53,377**
Effect of WCR change related to activity (B)	33,879	54,280
Corporate tax paid (C)	(2,575)	(1,370)
Flows related to discontinued activities (D)	(1,804)	(2,902)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**41,551**	**103,385**
Acquisitions of fixed assets	(41,846)	(27,877)
Acquisition of financial assets	-	(80)
Disposals of fixed assets	1,666	9,239
Change in loans	10,092	26,304
Effect of subsidiary acquisitions net of acquired cash	(12,164)	(19,879)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(42,250)**	**(12,291)**
Treasury shares	-	(1)
Capital increase (decrease)	56,284	-
Loans and other debts	45,460	37,482
Reimbursement of loans and other debts	(70,630)	(110,325)
Interest paid	(14,448)	(14,904)
Financing operations with no effect on cash	69	24
NET FLOW GENERATED BY FINANCING ACTIVITIES (c)	**16,734**	**(87,724)**
Effect of changes in exchange rates	146	(8)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**16,180**	**3,361**
Net cash and cash equivalents- opening balance	94,180	90,819
Net cash and cash equivalents- closing balance*	110,360	94,180
CHANGE IN CASH AND CASH EQUIVALENTS	**16,180**	**3,361**

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

Change in shareholders' equity

in thousands of euros

	Capital	Premiums	Conversion losses/gains	Consolidated Reserves and Income	Shareholders' equity - Group share	Minority interests	Total shareholders' equity
As of 1/1/2009	**39,747**	**307,695**	**338**	**(179,100)**	**168,680**	**(1,489)**	**167,191**
Expenses and income directly recorded under Equity			(117)		**(117)**		**(117)**
Net income				(24,840)	**(24,840)**	(336)	**(25,176)**
Overall income			**(117)**	**(24,840)**	**(24,958)**	**(336)**	**(25,294)**
Capital increase	148	(148)			**-**		**-**
Free shares				939	**939**		**939**
Cross-holding shares				(35)	**(35)**		**(35)**
Other reclassifications				319	**319**	2	**321**
As of 12/31/2009	**39,895**	**307,547**	**221**	**(202,718)**	**144,943**	**(1,823)**	**143,120**
Expenses and income directly recorded under Equity			78	(69)	**10**		**10**
Net income				**5,857**	**5,857**	**(864)**	**4,993**
Overall income			**78**	**5,788**	**5,867**	**(864)**	**5,003**
Capital increase	60,463				**60,463**		**60,463**
Capital increase fees		(4,179)			**(4,179)**		**(4,179)**
Conversion of bonds	9,521	1,973		3,159	**14,653**		**14,653**
Free shares	414	(414)		1,026	**1,026**		**1,026**
Cross-holding shares				(129)	**(129)**		**(129)**
Transactions between shareholders				(485)	**(485)**	485	**-**
Other reclassifications		21		86	**109**	(59)	**50**
As of 12/31/2010	**110,293**	**304,948**	**299**	**(193,272)**	**222,268**	**(2,261)**	**220,007**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company THEOLIA ("The Company") is a French Public Company (*société anonyme*) whose headquarters is located in Aix-en-Provence, France. The Company as well as its subsidiaries ("The Group") is an integrated industrial operator that plays a part in every stage of wind project development. The Group's expertise covers the entire value chain for wind energy production: prospecting, development, construction, and operation of wind farms.

The Group operates mainly in Europe.

The accounts presented in this document are for the fiscal year beginning on January 1, 2010 and ending on December 31, 2010.

The Group's financial statements have been approved by the Board of Directors at its meeting on April 18, 2011.

2. Accounting Principles

2.1. General Principles

Statement of compliance

In accordance with the Regulation (EC) No. 1606/2002 of July 19, 2002, the consolidated accounts from the period covering January 1, 2010 to December 31, 2010 are prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) on December 31, 2010, for which the implementing regulations were published in the Official Journal of the European Union on the date as of which the Company's financial statements were prepared. The IFRS includes IFRS standards, IAS standards (International Accounting Standards), and their interpretations (IFRIC and SIC) which are available at the following address: http: //ec.europa.eu/internal_market/accounting/ias_en.htm.

The accounting methods applied on December 31, 2010 are consistent with those from the previous fiscal year.

New standards, amendments and interpretations applicable starting from January 1, 2010

The standards, amendments or interpretations presented below have been permanently applied to all of the periods presented in the financial statements except for specific transitional provisions.

Standard no.	Item
IAS 1 revised	Presentation of the financial statements
IAS 27 amended	Individual or consolidated financial statements
IFRS 3 revised	Business combinations
IAS 32 amendment	Classification of rights issuance
Amendments to IAS 39	Information eligible for hedging
Amendment to IFRS 2	Intra-group transactions
Amendment to IFRS 7	Improvement of information related to financial instruments
IFRIC 12	Service concession agreements
IFRIC 15	Building construction agreements
IFRIC 16	Net investment hedge in an activity abroad
IFRIC 17	Distributions of non-monetary assets to owners
IFRIC 18	Transfers of assets from clients

New standards, amendments and interpretations applicable starting from January 1, 2011 that are not provided for by the Group:

- IAS 24 amended “Related parties”
- IFRIC Amendment 14 “Early payments from minimal funding requirements”
- IFRIC 19 “Paying financial debts with Shareholders’ equity instruments”

***Standards, amendments and interpretations not yet applicable because they are not yet adopted by the European* Union:**

- IFRS 9 “Financial Instruments”

The effects of the two texts are still being analyzed.

Basis for preparing the financial statements

Comparative information is presented as of December 31, 2009, unless otherwise indicated.
The financial statements are presented in thousands of Euros, unless otherwise indicated, rounded to the next highest thousand Euro.

In accordance with IFRS 3, the comparative N-1 accounts (opening and closing) presented are adjusted in the event of a final allocation of goodwill. The same is true for the application of the IFRS standard 5 - Non-current assets held for sale and discontinued operations.

General Principles of Assessment

The Group’s consolidated accounts are established according to the principles of continuous operations and historical costs, with the exception of certain financial instruments and financial assets available for sale which are evaluated at fair value.

Accounting treatment of asset sales

On September 1, 2009, THEOLIA’s management confirmed the modification of the Group's business strategy. Since that date, the Group's business focuses on developing, building, operating, and selling wind farms. All wind farms thus are intended to be sold.

As a result, sales of wind farms are part of the Group's main business, and therefore must be reported as income from ordinary activities.

In accordance with IAS 8.16, the implementation of this accounting method does not constitute a change of method. It applies to transactions which are substantially different from those which have previously taken place. The change applies prospectively starting from September 1, 2009 as part of the revised IAS 16 standard, applicable as of January 1, 2009.
Consequently, amortization plans have to reflect this change, since the assets must be amortized over a new lifespan, and a residual value must be retained for amortization purposes.

The accounting treatment applicable to wind farms in operation in accordance with their life cycle is described below:

- Filing for construction permits and creation of the Special Purpose Vehicles (SPVs) (development): development costs are reported in the accounts as fixed assets;
- Construction: construction costs are reported in the accounts as current tangible fixed assets;
- Commissioning of wind farm: remains reported as cash until the finalization of the sale;
- Operation:
    - Sales and purchases: reported in the income statement (income and expenses);
    - Amortizations: over the planned term of ownership of the wind farm;
- As soon as the sale of assets are covered under a sales contract, the amount of their book value is transferred to an inventory account on the same date (IAS16.68A);
- Sale: proceeds from sales broken down by:
    - Revenue (IAS 16BC35C);
    - Cost of sales (to be posted as inventory);

Correction of error - IAS 8

Intangible assets

Upon the acquisition of the company Ventura in the first half of 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the takeover date, the company filed construction permits for a total of 272 MW, of which 32 had been approved and had become definitive. On the basis of statistics, the Group had taken into consideration the completion of 72 MW out of the 240 MW under development. The total number of MW evaluated was thus equal to 104 MW.

The recorded reevaluation amounted to €13,316 K with the recording a deferred tax liability of €4,505 K. During previous financial periods, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects, or should have been amortized. This accounting error has been identified during the efforts to close the 2010 financial accounts and required the recording of a restatement for the 2009 accounts.

This restatement has been made in two stages:

- Projects sold prior to 2009: restatement of non-current assets with an offset in the shareholders' equity at the opening of the year;
- Projects sold in 2009: restatement of non-current assets with an offset in the income statement;
- Commissioned projects: recording of amortization and provisions.

Impact on the balance sheet as of 12/31/2009 (in thousands of euros)	
Assets	
Intangible assets	**(8,360)**
Liabilities	
Reserves at opening	(1,457)
Income	(4,075)
Deferred tax liabilities	(2,828)
Total	**(8,360)**

Impact on the income statement as of 12/31/2009 (in thousands of euros)	
Purchases and changes in inventory	(4,132)
Amortization	(310)
Other non-current income and expenses	(1,716)
Taxes	2,083
Total	**(4,075)**

Presentation of revenue

Previously, the production of electricity from wind farms managed for third parties was recorded as revenue based on the volume produced over the period. It had been incorrectly assumed that the Group was not acting as agent in these transactions, especially because the contract for the sale of electricity to the grid operator had been set up between the Group and the end client, and did not involve the owner of the asset managed by the Group.

During 2010, an in-depth review of these cases and the contracts between the German subsidiary in question and its clients has been carried out by the Group, notably in reference to paragraph 21 of the Notes to the IAS 18 standard added by the IASB in 2009 during the annual improvement of the IFRS standards. On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group.

In accordance with the terms of the standard IAS 8, the revenue for 2009 has consequently been restated retroactively.

This change does not have a consequence on the operating income or the net income.

The table below presents the summary of the impacts on the income statement and balance sheet:

(in thousands of euros)	12/31/2009 Reported	Restated revenue	Correction of intangible assets	12/31/2009 Restated
Revenue	**328,593**	**(34,213)**		**294,380**
Purchases and changes in inventory	(255,367)	34,213	(4,132)	(225,286)
Amortization	(21,493)		(310)	(21,803)
Current operating income	**27,811**		**(4,442)**	**23,369**
Other income and non-current expenses	(140)		(1,716)	(1,856)
Operating income before impairments	**27,671**		**(6,158)**	**21,513**
OPERATING INCOME (after impairments)	**32,180**		**(6,158)**	**26,022**
Tax expenses	437		2,083	2,520
NET INCOME of consolidated entity	**(21,101)**		**(4,075)**	**(25,176)**
Group share	(20,765)		(4,075)	(24,840)
From minority interests	(334)			(335)
Income per share of entire entity (in euros)	(0.52)			(0.62)
Diluted income per share of consolidated entity (in euros)	(0.49)			(0.59)

ASSETS (in thousands of euros)	12/31/2009 Reported	Correction of intangible assets	12/31/2009 Restated
Intangible assets	99,883	(8,360)	91,523
Non-current assets	**520,123**	**(8,360)**	**511,763**
Current assets	**206,574**	**-**	**206,574**
TOTAL ASSETS	**743,769**	**(8,360)**	**735,409**
LIABILITIES AND SHAREHOLDERS' EQUITY (in thousands of euros)			
Other reserves	(176,201)	(1,457)	(177,658)
Net income, Group share	(20,765)	(4,075)	(24,840)
Shareholders' equity- Group share	**150,475**	**(5,532)**	**144,943**
Shareholders' equity	**148,652**	**(5,532)**	**143,120**
Deferred tax liabilities	25,003	(2,828)	22,175
Non-current liabilities	**406,261**	**(2,828)**	**403,433**
Current liabilities	**177,818**	**-**	**177,818**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**743,769**	**(8,360)**	**735,409**

2.2 Methods of consolidation

Entities controlled

Subsidiaries are consolidated if they are controlled by the Group, with the Group managing their financial and operational policies. Subsidiaries are consolidated by full consolidation starting from the date on which effective control is transferred to the Group. They are deconsolidated on the date that control ceases.

The profit/loss from subsidiaries purchased or acquired during the fiscal year is included in the consolidated income statement, respectively from the date control was taken or until the date that control was lost.

If necessary, adjustments are made to financial statements of subsidiaries to harmonize and blend the accounting principles used with those of other companies in the scope of consolidation.

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

Associated enterprises

Associated companies are the enterprises over which the Group exercises a notable influence in terms of operational and financial policies without holding control of the company. In general, this pertains to companies in which the Group holds at least 20% of the voting rights.

The Group's equity interests in associated enterprises are posted according to the equity method. Associated enterprises' financial statements are retained in the consolidated accounts starting from the date that notable influence begins until the date that notable influence ceases.

The value on the balance sheet for bonds under the equity method include the bonds' purchase price (including goodwill) increased or decreased from variations of the Group's share in the net asset of the associated company starting from the acquisition date. The income statement reflects the Group's share in the associated enterprise's profit/loss.

Business combinations

Business combinations prior to January 1, 2010

Business combinations that took place prior to July 1, 2004 are posted according to the acquisition method. The cost of business combinations is equal to the total fair value on the date of the exchange, the assets handed over, the incurred or assumed liabilities, the Shareholders' equity instruments issued by the Group, in exchange for control of the acquired company, and all of the costs directly attributable to the business combination. If the fair value of the assets and liabilities cannot be determined on the date that the accounts are approved, a provisional allocation is performed which leads to the provisional determination of Goodwill which is itself provisional. The definitive allocation is then performed no later than one year following the date that control is taken.

The positive differences between the purchase price and the share in the fair value of the assets, liabilities and potential liabilities identifiable on the date that control is taken are posted as goodwill assets. The possible negative differences are directly posted in profit/loss for the period.

When the business combination contract anticipates an adjustment of the purchase price depending on future events, the amount of this adjustment is included in the cost of the business combination on the acquisition date if the adjustment is likely and can be reliably measured.

Once a subsidiary or a jointly controlled entity is sold, the amount of goodwill attributable to the subsidiary is included in the calculation of the sale's profit/loss.

Goodwill is not amortized. In accordance with the IAS 36 standard "Impairment of Assets", they are subject to an impairment test at least once per year, and more frequently in the event that an indication of loss of value appears. The terms of the test aim to ensure that the recoverable amount of the cash generating unit to which the goodwill is attributed or attached is at least equal to its net book value. If a loss in value is posted, an impairment is accounted for on a specific line of the operating income called "Impairment". This impairment is irreversible.

When additional purchases are made after the date control is transferred, that transaction is considered as a simple operation on securities with the minority shareholders: the controlled company's identifiable assets and liabilities are not subject revalued; the positive or negative difference generated between the purchase price and the additional portion acquired in the company's net assets is posted to goodwill.

Business combinations after January 1, 2010

Business combinations that took place after January 1, 2010 are posted according to the acquisition method. The cost of business combinations corresponds to the fair value of the assets handed over, the Shareholders' equity instruments issued, and the liabilities incurred or assumed on the date of the exchange. The costs directly attributable to the association are posted in the period during which they are incurred.

Therefore, upon the first consolidation of an exclusively controlled company, the company's assets, liabilities, and potential liabilities acquired are evaluated at their fair value, excluding exceptions specifically mentioned in the revised IFRS3.

Goodwill posted in the consolidated balance sheet represents the difference between:

- the sum of the following components:
  - the purchase price for the take-over;
  - the amount of minority interests in the company acquired, measured either at fair value as of the acquisition date (complete goodwill method), or based on their share in the fair value of the net identifiable assets and liabilities acquired (partial goodwill method). This option is chosen on a transaction by transaction basis;
  - and for acquisitions in stages, the fair value as of the acquisition date of the share held by the Group prior to the takeover;
- and the amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value as of the acquisition date.

If the cost of acquisition is less than the fair value of the Group's share in identifiable assets acquired and the identifiable liabilities assumed, the difference is recognized directly on the income statement.

Any goodwill recorded at fair value as of the acquisition date; it is then subject to impairment testing within 12 months following the acquisition date. Any future change in goodwill is recognized in the fiscal year income statement. It is noted that the standard allows a 12 month delay to complete the fair value testing.

The costs directly attributable to the business combination are recognized in current expenses through consolidated income.

After initial recording, goodwill is subject to annual impairment testing. Such testing is performed more frequently if there are indications of impairment between two annual tests.

The identification and appraisal of the acquired assets and liabilities are completed provisionally at the acquisition date.

The identification and appraisal are carried out definitively within a delay of twelve months; this change is recorded retroactively as if the definitive value had been directly recorded at the time of the acquisition. The impact of the recorded changes in value after the cut-off date for assessing the value of the acquired assets and liabilities taken on at the first consolidation is recorded prospectively, as a result of the year of the change and following years, without an adjustment of goodwill.

If the modifications to the initial recording of the combination are related to correction of an error, the values assigned to the assets acquired and the liabilities attributed to shares not conferring control or to components of the acquisition price are modified retrospectively, as if their corrected fair value had been recorded as of the acquisition date

The impact of appreciation or depreciation and funding or reversals of provisions recognized after the allocation period for values assigned to assets acquired and liabilities assumed upon first consolidation is recognized prospectively in income for the year of the change and in subsequent years, as appropriate, with no adjustment to goodwill for business combinations carried out as from January 1, 2010.

For acquisitions of additional interests in a subsidiary carried out after January 1, 2010 (revised IAS 27 being applicable prospectively), if such transaction does not modify the control of the entity, the difference between the share acquisition price and the additional interests in consolidated equity acquired is recognized in equity attributable to the Group's parent company owners, with the consolidated value of the identifiable assets and liabilities of the subsidiary, including goodwill, remaining unchanged. The portion of these acquisitions paid for in cash, net of the related acquisition expenses, is recognized in cash flows related to financing transactions on the consolidated cash flow statement.

For disposals of interests carried out after January 1, 2010 (IAS 27 being applicable prospectively), if such transaction does not modify the control of the entity, the difference between the fair value of the disposal of the shares and the share in consolidated equity that such shares represent as of the disposal date is recognized in equity attributable to the Group's parent company owners, with the consolidated value of the identifiable assets and liabilities of the subsidiary, including goodwill, remaining unchanged. The portion of these disposals whose proceeds are received in cash, net of the related disposal expenses, is recognized in cash flows related to financing transactions on the consolidated cash flow statement.

Disposals of interests carried out after January 1, 2010 (revised IAS 27 being applicable prospectively) entailing the loss of exclusive control generally give rise to the recognition of disposal income posted to income calculated on all of the stake as of the transaction date. Any remaining stake retained is also measured at its fair value through the income statement at the time of the loss of exclusive control. When the share disposal transaction is analyzed as a contribution of assets in a jointly controlled entity, the share in the assets and liabilities retained is left on the books at its historic value, without recognizing the disposal in income pursuant to interpretation SIC 13.

2.3 Foreign currencies

The consolidated financial statements are presented in euro, which is the parent company's working and presentation currency. The working currency of the foreign subsidiaries is generally the local currency.

Presentation of the financial statements

Balance sheet entries of entities located outside the euro zone are converted at the closing exchange rate prevailing for the working currency and income statement entries are converted at the average rate prevailing for the working currency.

Transactions denominated in foreign currency

Transactions denominated in foreign currency are converted at the exchange rate prevailing on the transaction date.

2.4 Recognition of revenue

Revenue is recognized when the Group transfers to the buyer the risks and rewards of ownership. If the Group does not participate in the management or actual control of the assets disposed of, it is likely that the economic benefits resulting from the sale with benefit the Group and the cost of the transaction can be reliably measured.

Generation of electricity

Sales recorded by the wind farms correspond with the sale of electricity generated and sold to the operator in accordance with various contracts, guaranteeing, in particular, the sales price based on volumes generated and sold.

Sales of electricity generated from wind farms owned by the Group are recognized based on the quantities generated and delivered during the period.

The same treatment holds for the sale of electricity for third parties in the case of contracts that include guaranteed margins for the clients.

Previously, the production of electricity from wind farms managed for third parties was recorded as revenue on the basis of the quantities generated and delivered over the period. The Group erroneously concluded that it was not acting as agent on these transactions, particularly because the contracts of the sale of electricity to the grid operator was established between the Group and the end client and did not include the owner of the asset being managed by the Group.

During 2010 an in-depth analysis of these situations and contracts between the German subsidiary in question and its clients was carried out by the Group, notably with regard to the paragraph 21 of the Notes to the standard IAS 18, added by the IASB in 2009 during the annual improvement of the IFRS standards. On this basis, the Group has changed its method for accounting sales related to this production from wind farms managed third parties: the sale of electricity for third parties is no longer recorded as revenue over the period, except in in some cases where, on account of the contractual relationship, the transaction risks are mainly borne by the Group.

Purchase of wind farm for resale

The margin is generated upon disposal of the farm in proportion to the number of MWs sold.

Wind farm development, construction and sales

Development and construction of wind farms that will be operated by the Group with the intention of selling them will not give rise to the recognition of income until the actual date of disposal of the wind farms formerly recognized in non-current assets. They are recognized in inventories when the customer is identified (signing of a sale contract) for disposal of the farm. The disposal date thus corresponds to the date on which the risks and rewards of ownership are transferred.

Financial income

Financial income is recognized *pro rata temporis* according to the effective interest rate method.

Dividends

Dividends are recognized in financial income when the right to receive the dividend vests.

2.5 Intangible assets

Intangible assets are recognized at their acquisition cost less accumulated amortization and any impairment losses.

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

The main intangible assets recognized by the Group pertain to development costs for the various wind power station projects. Projects are measured at their production or acquisition cost. An identifiable intangible asset generated internally resulting from an internal project is recognized on the balance sheet if and only if the following conditions are satisfied:

- the project is technically feasible;
- the intention exists to complete the intangible asset and place it into service or sell it;
- the ability exists to place the intangible asset into service or sell it;
- there exists a probability of generating future economic benefit;
- there is availability of the necessary technical and financial resources to complete the project;
- the ability exists to reliably measure the expenses attributable to the intangible asset over the course of its development.

When the conditions for recognizing an internally generated intangible asset are not satisfied, the development expenses are recognized in expenses for the year in which they are incurred.

When the Group acquires wind projects developed by companies that have been subject to a takeover, these projects are measured at their fair value. The value of the intangible asset so measured takes into account the fair value of all the contracts acquired.

The costs associated with these projects are no longer capitalized as from the date of date on which they are put into operation. They are amortized according to the following provisions: the amortization basis is the difference between the cost price and the estimated resale value; the amortization period is fixed at 4 years (operating life planned by the Group prior to sale to a third party).

The cost of loans to finance assets over a long installation or manufacturing period is included in the initial cost of the assets.

Amortization, calculated from the date the asset is commissioned, is recognized in expenses, offsetting the carrying value of the assets over their estimated useful life according to the straight-line method, taking into account the residual value of the assets.

For contracts and licenses, the amortization period is 2 to 4 years.

Since September 1, 2009, wind farm development costs have been amortized over a 2- to 4-year period based on the operating life planned prior to disposal, taking into account a resale residual value at the end of the period. They were previously amortized over the life of the electricity sales contracts (15 to 20 years).

The amortization expense for these assets is recognized on the "Depreciation and Amortization" line on the income statement.

Intangible assets mainly comprise wind projects under development. They are recognized under "Assets in progress" and therefore are not amortized but they are subject to an annual impairment test.

2.6 Property, plant & equipment

Measurement of tangible assets

Tangible assets are recognized at their acquisition cost less amortization and any depreciation.

Assets acquired in a business combination are measured at their fair value as of the acquisition date. At each account closing, the acquisition cost is decreased by the accumulated depreciation and any impairment.

Depreciation, calculated from the date the asset is commissioned, is recognized in expenses, offsetting the carrying value of the assets over their estimated useful life according to the straight-line method, taking into account the following bases:

• under construction	20 years
• wind farms	2- 4 years
• materials and tools	4-10 years
• fixtures and facilities	3-5 years
• office furnishings	5-10 years

Since September 1, 2009, wind farms have been depreciated over a 2- to 4-year period based on the operating life planned prior to disposal, taking into account a resale residual value at the end of the period. They were previously depreciated over the life of the electricity sales contracts (15 to 20 years).

The depreciation expense for these assets is recognized on the "Depreciation and Amortization" line on the income statement.

2.7 Leases

Property, plant and equipment acquired under finance leases which transfer substantially all the risks and rewards of ownership of the leased asset to the Group are recognized on the balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. An obligation of the same amount is recorded as a financial liability.

Lease payments are recognized at the difference between the financial expense and the amortization of the debt so as to obtain a constant periodic rate for the balance of the loan reflected in liabilities.

Leased assets are depreciated over their useful life in conformity with the Group's rules. If there are indications of impairment losses, the assets are subject to impairment testing in conformity with IAS 36 "Impairment of assets".

Leases under which the lessors retain substantially all the risks and rewards of ownership of the asset are operating leases. Payments made under operating leases are recognized by the straight-line method over the life of the lease, corresponding to the useful life of the asset.

Assets used under a finance lease are not material.

2.8 Impairment

An impairment test is performed:

- at least once each year for assets with an indefinite life - primarily goodwill, unamortized intangible assets and assets under development;
- whenever there are indications of impairment losses.

Unless there are indications of impairment, the annual impairment test is performed at the time of the annual budget and medium term planning process**.**

For purposes of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs) likely to benefit from the synergies of the business combination. CGUs are homogeneous groups of assets whose continuous use generates separately identifiable cash flows.

The Group's activities are broken down into the following categories:

- Sale of electricity for own account activity corresponds with the sale of the electricity produced by the wind farms owned by the Group;
- Development, construction, sale activity includes the development, construction and sale of wind projects and wind farms;
- Operation activity includes the management of wind farms for third parties as well as the sale of the electricity produced by the wind farms managed but not owned by the Group;
- Non-wind activity is not strategic and the environmental activities are in the process of being sold;
- Corporate activity comprises mainly the THEOLIA SA holding company.

Development, construction, sale activity is subdivided by CGU and countries, primarily France, Germany and Italy.

Sale of electricity for own account activity and **Operation** activity are also subdivided by CGU and farms in operation.

Non-wind activity is subdivided by CGU and legal entity.

Depreciation is recognized for the surplus of carrying value over the recoverable value of the asset.

The recoverable value is the higher of the fair value of the asset (or group of assets) net of disposal costs and their value in use.

The value in use is measured solely based on the projected discounted future cash flows for the asset (or group of assets).

The projected future cash flows used are consistent with the projected business plans established by the Group's Management.

The assets tested as of December 31, 2010 are primarily goodwill and certain intangible assets and depreciable tangible assets.

These assets pertain either to the Development, construction, sale activity CGU or to the Sale of electricity for own account activity CGU.

The rate used to discount the associated cash flows is a function of the activities allocated to the individual goodwill taking into account the risks and activities as well as their geographical location**.** Depending on the assets in question, the rate is determined based on the weighted average cost of capital (WACC) for the Sale of electricity for own account activity and based on the cost of capital for the Development, construction, sale activity.

The discount rates used are 5.4 to 9% (versus 5.73 to 9% in 2009).

For the Development, construction, sale CGU, the recoverable values correspond to the business plans of the entities in question by country:

- Germany: the business plan for the trading activity of the wind farms;
- France and Italy: the business plans reflect the capacity of these entities to develop and build wind farms to be operated for 2 to 4 years and then sold to third parties.

For the Sale of electricity for own account CGU, the principal assumptions are:

- probability rate for hours of actual wind: P75, which pertains to the level of annual production for which there is a 75% chance of exceeding that production level over the long term;
- duration of projections: Operating life planned, i.e., 20 years from the commissioning date for the farm;
- terminal value: generally equal to 20% of the original investment.

This measurement method for farms intended for sale corresponds to the market value. The recoverable value of a farm intended for sale corresponds to the discounted sum of the discounted future cash flows including a terminal value equivalent to 20% of the original investment.

Any impairment loss is first charged to goodwill then, as appropriate, to the CGU's other assets in proportion to their carrying value. Impairment losses recognized on goodwill cannot be reversed. They are recognized directly in expenses in operating income on the line "impairment loss".

Information on the sensitivity to assumptions for the calculation of depreciation is provided in Note 15 "Impairment loss".

2.9 Inventories and assets in progress

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories of raw materials, merchandise and other supplies comprises the purchase price excluding tax for raw materials, direct labor, other direct costs and general production expenses after discounts, freight and rebates obtained, plus expenses ancillary to purchases (transport, discharge expenses, customs expenses, purchase commissions, etc.). Inventories are measured by the "first in/first out" (FIFO) method.

Inventories carried by the Group represent:
- wind projects purchased for resale (trading activity in Germany);
- projects intended for sale after 2 to 4 years of operation according to the Group's strategy.

The net realizable value of inventories is determined based on their [degree of progress] and the latest transactions executed in the sector of activity. The Group analyzes this net realizable value at least once each year and more frequently if there are indications of impairment losses (see Note 2.8 "Impairment loss"). Any depreciation is recognized on projects whose development is not certain and whose probability of operation either by the Group or by a third party is insufficient.

Development costs for wind farms are considered intangible assets.

Wind farms (previously recognized in intangible and tangible assets) intended for sale are subject to reclassification as inventory when they are sold and the customer is identified (signed sale contract).

2.10 Financial assets and liabilities

The financial assets include the fixed assets (unconsolidated investments and investment securities), loans and receivables, as well as derivative assets.

The financial liabilities include loans and financial debts, bank overdrafts and derivative liabilities.

The financial assets and liabilities are shown on the balance sheet in current/non-current assets and liabilities according to whether or not their maturity is greater than one year, with the exception of derivatives that are classed as current items.

This heading also includes, where necessary, non-current financial debts:

- repayable in advance on the lender's initiative;
- rendered due as a result of non-compliance with commitments.

The fair value is determined using the following hierarchy:

- Prices (unadjusted) quoted on the "cash" markets for identical assets or liabilities (Level 1);
- Data other than the quoted prices set out under Level 1, that is not directly or indirectly observable (Level 2); and
- Data relating to assets or liabilities that is not based on observable market data (non-observable data) (Level 3).

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities valued at fair value through profit and loss are designated as such when the transaction is initiated.

These assets are booked at their fair value, and are valued on each balance sheet date. The change in fair value is booked in earnings in "Other financial products" or in "Other financial expenses".

In practice, the main assets and liabilities concerned are hedging derivatives related to bank loans and short-term financial investments.

Financial assets held until final maturity

This heading records the assets acquired at fixed maturity and the fixed or determinable interest payments when the Group intends or is able to hold them until final maturity. These assets are carried at amortized cost, and the interest booked at effective interest rate is recorded in earnings in "Other financial expenses".

Loans and receivables

Loans and receivables are valued at reduced amortized cost, where necessary, of an impairment. The interest valued at effective interest rate is booked in earnings under the heading "Other financial products".

Available-for-sale financial assets

The available-for-sale financial assets include unconsolidated investments, as well as debt bonds not classified in the other categories. They are valued at fair value on each balance sheet date. The unrealized gains and losses are recorded in equity capital, except in the case of impairment.

Financial debts and trade payables

Financial debts and trade payables are valued at amortized cost. The interest calculated according to the effective interest rate method is booked under the heading "Gross finance costs" on the income statement.

Derivatives

Type

The Group may have recourse to derivatives (swaps/caps) to cover itself against interest rate risk ensuing from its variable-rate financing policy.

Measurement and recognition

Derivatives are initially booked at fair value. They are subsequently valued at their fair value. The change in fair value of derivatives is booked in earnings, except when these instruments are designated as cash flow hedges or net investments in a foreign operation. In this case, the changes in fair value are booked directly in equity capital for the amount considered the effective portion of the hedge. The non-effective amount is kept in financial income.

Hedging derivatives

On December 31, 2010, the derivatives implemented by the Group are not subject to hedge accounting.

2.11 Trade and other receivables

Trade receivables are the result of sales of goods, wind farms and services fulfilled by the Group within the scope of its wind farm management operations for third parties. Other receivables include mainly fiscal (VAT) and social debts.

Trade receivables are booked at amortized cost.

An impairment loss is booked when objective indicators show that the amounts due cannot be recovered, either totally or partially. In particular, for the assessment of the recoverable amount of the trade receivables, the outstanding amounts due on the balance sheet date undergo an individual review and the necessary provisions are recorded if there appears to be a risk of non-recovery.

2.12 Cash and cash equivalents

The heading "Cash and cash equivalents" includes the cash assets as well as the immediately available cash investments subject to a negligible value change risk that are used to meet cash flow requirements.

The cash investments are valued at their market value on the balance sheet date. The changes in value are recorded in income from cash and cash equivalents.

2.13 Share capital

The shares of common stock are classified as equity instruments.

The costs directly attributable to the issuing of shares or new options are booked in equity capital after deducting the proceeds from the share issue, net of tax.

THEOLIA shares held by the Group are deducted from equity capital, until cancellation or transfer of the shares. In the event that the shares are sold, the revenue, net of costs directly attributable to the transaction and the fiscal impact, is included in the equity capital attributable to the Group.

THEOLIA is not obliged to satisfy capital adequacy ratios except for the obligation to maintain equity capital at above half of its share capital.

2.14 Programs for share purchase warrants, stock options and free shares

Share purchase warrants and stock options

Prior to 2010, the Group awarded share purchase warrants to members of the Board of Directors. At the time of the Board of Directors' meeting on December 1, 2010, the Group implemented a program to award share options to the management team (a maximum of 1,500,000 shares) and employees (a maximum of 2,000,000 shares).

These transactions, whose payment is based on shares and which are settled as equity instruments, are valued at their fair value (excluding the effects of acquisition conditions other than those of the market) on the allocation date. The fair value determined on allocation date is booked in expenses in accordance with the straight-line basis over the vesting period, on the basis of the number of shares the Group expects to issue, adjusted by the effects of acquisition conditions other than those of the market (presence, performance).

The fair value is evaluated using the most appropriate template (Black-Scholes-Merton or binomial). The expected lifetime used in the template is adjusted based on management estimates, non-transferability effects, fiscal year restrictions and information on fiscal year performance by employees.

Free shares

The Group awards free shares to certain employees. The value of these shares is determined on the day on which they are awarded.

Recognition

The benefit in respect of the rights allocated in the form of share purchase warrants, stock options or free shares is booked according to the beneficiaries:

- in personnel expenses ;
- or in other operating income and expenses for non-employees.

2.15 Employee benefits

Types of schemes

In accordance with legal and usage obligations, the Group participates in additional pension plans and other long-term benefits for employees. The Group offers these benefits through defined contribution plans.

Within the scope of defined contribution plans, the Group has no obligation other than to pay the contributions. The contributions paid to the schemes are booked in expenses for the period.

Types of commitments

Termination benefits

The termination benefits correspond to the collective bargaining agreement applicable in the Group and involve retirement or end-of-career severance paid in the event of voluntary employee departure or retirement. The termination benefits correspond to the defined benefits plan.

Additional pension plans

The Group has not entered into any additional plan over and above the minimum legal pension for its employees or managers.

Value of Commitments

The contributions relating to defined contribution plans are registered in expenses as they become due for service rendered by employees.

The commitments resulting from defined benefit plans, as well as their cost, are determined in accordance with the projected unit credit method. The valuations are performed annually. The actuarial calculations are provided by external consultants.

These plans are not financed and their undertaking is covered by a liability on the balance sheet. The main scheme is that of end-of-career indemnities (retirement bonuses). The actuarial differences stem mainly from changes in assumptions and the difference between the income according to actuarial assumptions and the actual income of the defined benefit plans. These actuarial differences are booked directly in earnings for the period. The expense booked on the income statement, in operating income, for defined benefit plans includes the service costs during the fiscal year, past service costs, actuarial differences and the effects of any scheme reduction or liquidation, where necessary.

The defined benefit plans within the Group have not been subjected, since the Group was founded, to modifications generating any past service costs.

2.16 Other provisions

A provision is booked when, at the close of a period, the Group has a current obligation (legal or constructive) ensuing from past events and it is likely that an outflow of resources for future economic benefits will be necessary to extinguish this obligation.

A provision is made for disputes when a Group obligation to a third party exists as of the balance sheet date. The provision is evaluated according to the best estimate for forecasted expenditure.

Potential dismantling costs are not subject to a provision, insofar as the Group estimates that the recoverable amount of the turbine steel asset is equivalent to the turbine dismantling liability.

Contingent liabilities correspond to potential obligations resulting from past events whose existence will only be confirmed by the occurrence of uncertain future events that are not within the control of the entity, or to current obligations for which an outflow of resources is unlikely. Apart from those resulting from a business combination, the contingent liabilities are not booked but provided as notes to the financial statements.

2.17 Borrowings

Borrowings are booked at original fair value, less associated transaction costs. These costs (fees and issue premiums for loans) are taken into account in the amortized cost calculation in accordance with the effective interest rate method.

On each balance sheet date, the financial liabilities are then evaluated at their amortized cost in accordance with the effective interest rate method.

Borrowings are broken down into:

- current liabilities for the portion to be repaid within 12 months of closure,
- and non-current liabilities for the payments due after 12 months.

Convertible loans are analyzed as hybrid instruments, with a debt component and an equity capital component, while taking issuing costs into account:

- the debt component is determined from contractual payment flow reviewed at the interest rate of a comparable instrument other than a conversion option (stripped debt), based on market conditions on issue date;
- the equity capital component is valued as the difference between the issue value and the value of the debt component, net of the effect of deferred taxes.

2.18 Deferred taxes

The “Tax expense” category includes tax due for the period and deferred tax included in the income for the period.

Deferred taxes are recorded, using the variable carry-forward method, for temporary differences at year end between the tax base of the assets and liabilities and their book value, as well as tax deficits. No deferred liability tax is determined for the initial accounting of 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 earnings to which these unused tax losses and tax credits might be allocated.

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

Deferred taxes are calculated by each fiscal entity. They are offset when taxes are withheld by the same tax authority and they correspond to the same tax entity (tax consolidation group) and have due dates that are close to each other.

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

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

2.19 Calculation of current operating income

The income statement is presented by type of expenditure.

Current operating income corresponds to operating income restated for other non-current income and expenses resulting from a few, well identified events, non-recurring and important, for example:

- impairment of goodwill and fixed assets determined within the context of impairment tests;
- restructuring expenses or those related to employee adjustment measures constituting significant amounts, relating to major events or decisions;
- expenses and income that would result from litigation of a significant amount, deployment activities or major capital transactions (expenses from incorporating a new activity, etc.).
-

2.20 Earnings per share

The diluted earnings per share account for dilutive instruments and the resulting effects of the potential dilution. EPS is calculated taking into account the maximum number of share that may be in circulation considering the probability of the implementation of dilutive instruments issued or to be issued.

2.21 Sector information

The Group defines its business segments as follows:

- the Sale of electricity for own account activity corresponds to the sale of the electricity produced by the wind farms owned by the Group;
- the Development, construction, sale activity includes the development, construction and sale of wind projects and farms;
- the Operation activity includes the management of wind farms for third parties as well as the sale of the electricity produced by the wind farms managed but not owned by the Group;
- the non-wind activity is a non-strategic area and is currently in the process of being sold;
- the Corporate activity comprises mainly the THEOLIA SA holding company.

The note on Sector information sets out, by business segment, information on product and income as well as some information concerning assets, liabilities and investments.

Sector assets are operational assets used by a segment within the context of its operating activities. They include attributable goodwill, intangible and tangible fixed assets, as well as current assets used in the operating activities of the segment. They do not include deferred tax assets, other holdings, or receivables and other non-current financial assets.

Sector liabilities correspond to liabilities that result from the activities of a segment and which can be directly or indirectly attributable to this segment. They include current and non-current liabilities, with the exception of financial debt and deferred liability taxes.

3. Judgements and estimates

The production of the financial statements according to the IFRS standard has led the Group Management to make estimates and formulate hypotheses which affect the book value of certain asset and liability items, income and expenditure, as well as information given in certain notes of the appendix.

The key assumptions are as follows:

- likelihood of success and commissioning of the different wind projects;
- adjustment assumptions applied in the various selected valuation models;
- capacity to secure the financing of different wind projects.

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

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

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

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

Without calling the above into question, estimates were prepared in the context of a rapidly changing environment and markets. In this context, knowledge of new information or the occurrence of new events, which cause us to significantly question certain assumptions currently deemed reasonable, cannot be excluded.

3.1 Tangible and intangible fixed assets and goodwill

The Group has access to estimations and must use certain assumptions in order to (i) assess the duration of the expected use of the assets in order to determine their amortization period and (ii) report, if applicable, an impairment of the value of any asset on the balance sheet.

The estimates used to determine the expected duration of use of the assets are applied by all Group entities (see Notes 2.5 and 2.6).

With a view to ensuring the correct valuation of its assets on the balance sheet, the Group regularly reviews certain indicators which would lead, if necessary, to an impairment test being carried out.

Group Management believes that the performance of annual impairment tests is subject to estimates and judgment as determining these recoverable values entails the use of assumptions with regard to the following:

- determining the necessary discount rates to obtain the present value of the future cash flows generated by the assets or by the cash generating units; the results of a change in the discount rate are presented in Note 15;
- determining the future operating cash flows as well as their terminal value;
- estimating the increase in revenues generated by the assets tested; and
- estimating the operating margin linked to those assets for the future periods concerned.

The assumptions used by the Group to calculate the recoverable value of its assets is based on past experience and external data.

To determine future growth, operational margin and operational cash flow rates generated by a specific asset, the Group uses each entity's budget for the assets belonging to the Development, construction, sale CGU. For assets belonging to the Sale of electricity for own account CGU, the usage value for THEOLIA is representative of the future cash flows from each farm over the two to four years of operation taking into account a residual value at the end of this period. These flows are determined using the electricity sale contracts.

These estimates concern goodwill and all tangible and intangible assets.

3.2 Deferred tax assets

The recoverable amount of deferred tax assets is reviewed at the end of each fiscal year. This amount is reduced to the extent it is no longer likely that a sufficient taxable profit will be available to permit utilization of the benefit associated with all or a part of these deferred tax assets.

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

- losses associated with the occurrence of exceptional circumstances which will not recur in the near future and/or
- the prospect of extraordinary gains, and
- expected future income from long term contracts.

4. Key highlights during the fiscal year

Financial restructuring of the Company

On December 29, 2009, THEOLIA announced its plan to restructure its convertible bond and its intention to launch a capital increase intended to support its development program for the coming years.

The implementation of this plan was subject to the following three conditions:
- approval of the change of terms of the bond by the General Meeting of Bondholders;
- approval of the change of terms of the bond by the extraordinary shareholders' meeting; and
- completion of a capital increase.

These three conditions were satisfied on February 18, March 19 and July 20, 2010, respectively, thus ensuring the success of the financial restructuring of the Company.

Submission of the fairness opinion by the independent financial expert

The Ricol Lasteyrie company is the independent financial expert appointed by the Board of Directors to review the financial conditions of the proposed plan to restructure the convertible bonds (OCEANEs) and determine its fairness from the viewpoint of the shareholders and bondholders.

In January 2010, Ricol Lasteyrie completed its final report, which attested to the fair nature of the proposed financial restructuring and confirmed that the plan was in the interests of all parties involved, including THEOLIA, its shareholders and the bondholders.

General meetings of bondholders and shareholders

On February 18, 2010, the General Meeting of Bondholders approved the proposed restructuring in a unanimous vote by those present and represented.

On March 19, 2010, the combined shareholders' meeting approved all resolutions relating to the proposed restructuring plan by a majority of more than 99%.

Capital increase

On June 24, 2010 the Company launched a capital increase of 60,463,059 euros maintaining the preemptive subscription right. The subscription period ran from June 25 to July 7, 2010. The capital increase was completely subscribed. THEOLIA issued 60,463,059 new ordinary shares at the price of one euro per share, resulting in gross proceeds of 60,463,059 euros.

The success of the capital increase completed the financial restructuring of the Company.

This financial restructuring allowed THEOLIA to significantly improve its financial situation by reinforcing its capital, increasing cash and reducing debt, as well as re-energizing its development.

Modification of the terms of the convertible bond (OCEANE)

The analysis of this operation and its consequences appears in Note 23.2.

Conversion of bonds into shares

The financial restructuring modified the terms of the convertible bonds and notably put in place a new ratio for conversion to shares by which each bondholder may demand the conversion of a bond into 8.64 shares until the 7th business day preceding December 31, 2013, and at the rate of 6.92 shares per bond from January 1, 2014 until the 7th business day preceding December 31, 2014.

During the period from July 20, 2010 (the date on which the new terms of the OCEANEs became effective) and December 31, 2010, a total of 1,102,070 OCEANEs were converted, resulting in the creation of 9,521,016 new shares.

The conversion of these OCEANEs reduced, by 16.9 million euros, the maximum amount to be reimbursed in the event that bondholders exercise their buyback rights on January 1, 2015.

Operational advances by the Group

During the second half of 2010, THEOLIA recorded several operational advances, primarily in France and in Italy.

Construction of the Gargouilles wind farm in the Eure and Loir department of France started in September 2010. This farm includes 8 wind turbines with a nominal power of 2.3 MW, for a total capacity of 18.4 MW. It is anticipated that the wind farm will be operational by the end of 2011.

The process for buying turbines started for a project of 6 wind turbines in the Somme department in France. The anticipated nominal power of each wind turbine generator is 2.5 MW, for a total wind farm capacity of 15 MW. Construction will begin in 2011.
In September 2010, a construction permit without recourse was obtained for a project of 6 wind turbines located in the center of the Haute-Marne department in France. Completion of this project is expected during the year 2012.

The validity of the construction permit for the Giuggianello wind turbine project with a capacity of 24 MW, located in the Puglia region of Italy was confirmed. The project includes 12 wind turbines with a nominal power of 2 MW.

The largest operational advance made by the Group in 2010 was the commissioning of its first wind farm in Italy.

In October 2010, the Group commissioned the Giunchetto wind farm with a total installed capacity of 30 MW. The farm is located in the Enna province in Italy and has 35 wind turbines. THEOLIA put into place financing for the project in January 2010, for which construction started during the second half of 2009.

THEOLIA holds a 51% interest in this farm. The net installed capacity for the Group is therefore 15 MW.

With completion of this project, the Group has an operational capacity for the development and production of electricity in four countries: France, Germany, Morocco, and Italy.

Sale of wind farms

In May 2010, the German subsidiary of THEOLIA, THEOLIA Naturenergien GmbH, sold to Dortmunder Energie-und Wasserversorgung GmbH ("DEW21", Dortmund, Germany) a 55.5 wind farm MW situated in the Saxony-Anhalt region of Germany. THEOLIA Naturenergien GmbH will provide all technical and commercial management for the life of the wind farm, which has been operating since early 2006.

Overall, in 2010, the Group sold 72 MW in operation in Germany, as compared with 234 MW of wind farms and projects sold in 2009.

The disposals in 2010 were primarily completed during the first half of the year, before the financial restructuring of the Company. The new financial situation of the Group allowed it to slow down the pace of its disposals during the second half of the year and thus favor the proportion of recurrent revenue from the sale of electricity.

5. Changes in the scope of consolidation

Scope of consolidation

As of December 31, 2010, the scope of consolidation included, other than the parent company:

- 124 companies in which it directly or indirectly holds exclusive control
  (compared with 163 as of December 31, 2009);
- 1 company of which it holds joint control (compared with none as of December 31, 2009); and
- 7 companies in which it exercises significant influence (compared with 7 as of December 31, 2009).

An exhaustive list of these companies can be found in Note 33 "List of Group companies".

Acquisitions/establishments

In Italy, the Vibinum support company held by Maestrale Green Energy was formed in order to absorb the Avalon company (a company formed under the laws of England and Wales) and owner of the Bovino and Troia projects in development.
In addition, Maestrale Green Energy acquired, through one of its subsidiaries, 25% of the company Wind Services which holds the Giuggianello project. Despite its position as a minority shareholder, the Group has an agreement that allows it with near certainty to hold 100% of the shares by the end of the agreement's term. Consequently, this agreement regarding the remaining 75% is characterized as a deferred payment and included within the context of "Other non-current assets".

The wind farms of Wotan (6 MW) and Dietlas (6 MW) were acquired at the end of the year.

Disposals

In Germany, the operating wind farms Alsleben I and Windkraft Netzbetrieb were sold in May 2010. In December, as a result of the exchange clauses of the sales agreement signed in 2009 with RheinEnergie AG, the Hoxberg wind farm (sold of in 2009) was exchanged for the Werbig wind farm.

Other changes

In April, the Group transferred 39% of its voting rights to the Aerochetto company (Giunchetto wind farm) located in Italy. This transfer of a minority holding modified the governance rules of the company which is actually jointly controlled with the associated partner. As a result, this company is consolidated in accordance with the proportional integration method.

This company's contribution to the main items of the balance sheet and income statement is the following:

Balance sheet items	**(in thousands of euros)**
Non-current assets	33,695
Non-current financial liabilities	26,516
Current financial liabilities	958
TOTAL FINANCIAL LIABILITIES	27,474

Income statement	**(in thousands of euros)**
Italy revenue	1,104
Operating income	(396)

6. Business combinations

Assets and liabilities acquired during the fiscal year

(In thousands of euros) ***Date of acquisition***	**Wotan**	**Dietlas** ***12/07/2010***	**Hoxberg** ***12/28/2010***
Intangible assets		1 798	
Property, plant & equipment		7 427	730
Equity interests (net)			
Inventories			2 450
Trade receivables	38	102	
Other current assets	13	185	
Cash and cash equivalents		289	70
Non-current financial liabilities		5 976	
Current financial liabilities	50	2 692	
Provisions (current)			
Suppliers and other creditors	1	538	2 546
Tax and social liabilities		594	
Total net assets acquired		**2**	**704**
Acquisition price of securities	1	2	730
Total acquisition cost	**1**	**2**	**730**
Goodwill	**1**		**26**

The Dietlas wind farm, with a capacity of 6 MW, was acquired at the end of the fiscal year. The goodwill resulting from this business combination, which represents the value of the authorizations and electricity sales contracts, was entirely allocated to intangible property**.**

The Hoxberg wind farm was acquired within the framework of an exchange for the Werbig wind farm. The goodwill recognized, in the amount of 26,000 euro, represents the losses incurred during the period preceding the exchange. This goodwill was completely depreciated.

The reassessments performed of intangible assets are provisional. Pursuant to the revised terms of IFRS 3, the Group has up to a year to complete the definitive allocations.

The Group did not carry out any business combinations in 2009.

7. Sector information

As of December 31, 2010

(in thousands of euros) **Income Statement**	Wind activities			Non-wind activity	Corporate	Total
	Sale of electricity for own account	Development, construction, sale	Operation			
Revenue						
France	11,648	3,644	169			15,461
Germany	17,583	106,996	4,793	1,403		130,775
Italy	1,104					1,104
Rest of the world	7,201					7,201
Total	37,537	110,640	4,962	1,403		154,542
Current operating income	10,335	(8,605)	(17,608)	(1,867)	(1,932)	(19,678)
Impairment	(721)	(12,216)			(61)	(12,998)
Other non-current income and expenses	(207)	(41)	(14)	-	(1,546)	(1,807)
Operating income	**9,408**	**(20,862)**	**(17,622)**	**(1,867)**	**(3,539)**	**(34,483)**
Share in income of affiliated companies		277	(23)	(434)		(180)

As of December 31, 2010

(in thousands of €)	Wind activities					
Balance sheet	**Sale of electricity for own account**	**Development, construction, sale**	**Operation**	**Non-wind Activity**	**Corporate**	**Total**
Goodwill	12,885	58,251			2	71,138
Intangible assets	48,006	42,258	5	-	26	90,294
Tangible assets	234,397	29,416	2,156	11,594	1,226	278,790
Other non-current assets	10,118	4,664	10	10,498	26,334	51,625
Total non-current assets	**305,406**	**134,589**	**2,171**	**22,092**	**27,588**	**491,847**
Inventories	867	18,940			(1)	19,805
Trade receivables	7,077	13,007	10,405	191	154	30,833
Other current assets	10,623	3,935	147	5,153	5,760	25,619
Cash and cash equivalents	32,042	18,764	2,182	1,329	56,115	110,432
Total current assets	**50,609**	**54,645**	**12,734**	**6,673**	**62,028**	**186,690**
Assets held for sale	-	-	-	(701)	13,902	13,201
TOTAL ASSETS	**356,015**	**189,234**	**14,906**	**28,064**	**103,518**	**691,737**
Non-current financial liabilities	121,947	11,738		8,826	112,913	255,424
Current financial liabilities	72,772	14,635	(27)	718	4,584	92,683
Suppliers	8,124	19,397	3,557	728	3,492	35,299
Liabilities held for sale				9,727		9,727
Other liabilities	27,723	20,572		6,012	24,291	78,599
TOTAL LIABILITIES present	**230,567**	**66,343**	**3,530**	**26,010**	**145,281**	**471,731**
Other information						
Tangible and intangible investments	30 734	7 598	-	-	82	46 096

As of December 31, 2009

(in thousands of €)

Income Statement	Wind activities			Non wind activities	Corporate	Total
	Sale of electricity for own account	Development Construction Sale	Operation			
Revenue						
France	13,193	38,475	61	17	-	**51,747**
Germany	32,425	197,990	4,225	1,610	-	**236,251**
Italy	-	-	-	-	-	**-**
Rest of the world	6,300	-	-	83	-	**6,382**
Total	**51,918**	**236,465**	**4,286**	**1,710**	**-**	**294,380**
Current operating income	**14,910**	**(6,728)**	**(1,040)**	**(798)**	**17,025**	**23,369**
Impairment	7,008	(808)	-	18	(1,709)	4,509
Other non-current operating income and expenses	303	(2,034)	(2)	599	(722)	(1,856)
Operating income	**22,221**	**(9,570)**	**(1,042)**	**(180)**	**14,594**	**26,022**
Share in income of affiliated companies enterprises	(16)	(123)	-	(13,330)	-	(13,470)

As of December 31, 2009

(in thousands of €)

Balance sheet	Sale of electricity for own account	Development, construction, sale	Restatements of non-wind activity	Corporate restatements	Corporate	Total
Goodwill	8,012	71,446	-	-	2	79,461
Intangible assets	47,360	44,154	-	-	9	91,523
Tangible assets	262,252	35,829	84	12,160	1,533	311,858
Other non-current assets	5,978	8,414	(2)	10,533	4,000	28,923
Total non-current assets	**323,602**	**159,844**	**82**	**22,693**	**5,544**	**511,764**
Inventories	1,186	49,238	-	-	1,390	51,814
Trade receivables	9,884	21,923	237	321	127	32,492
Cash and cash equivalents	26,380	33,510	546	2,348	31,403	94,187
Other current assets	5,714	10,985	783	526	10,074	28,081
Total current assets	**43,164**	**115,656**	**1,566**	**3,194**	**42,994**	**206,574**
Assets held for sale				713	16,359	17,052
TOTAL ASSETS	**366,766**	**275,500**	**1,648**	**26,600**	**64,896**	**735,409**
Non-current financial liabilities	118,769	29,009	-	4,471	213,929	366,179
Current financial liabilities	91,632	22,077	-	5,791	4,803	124,303
Suppliers	4,764	27,674	36	870	7,941	41,285
Liabilities held for sale				11,037	-	11,038
Other liabilities	27,636	11,835	782	5,004	7,053	52,311
TOTAL LIABILTIES	**242,801**	**90,595**	**818**	**27,173**	**233,727**	**595,117**
Other information						
Tangible and intangible investments	15,025	26,547	1	2,253	1,205	75,036

Information pertaining to profit/loss

8. Operating income

The subparagraphs below explain some principal posts in more detail (personnel expenses, amortization and provisions, other operating income and expenses, impairments)

8.1 Personnel expenses

(in thousands of €)	**12/31/2010**	**12/31/2009**
Personnel compensation	8,448	7,953
Social security and contingency expenses	2,459	2,859
Other personnel expenses	183	18
Participation and profit sharing	126	-
Other personnel benefits and share-based payments (IFRS 2)	474	884
Total personnel expenses	**11,690**	**11,714**

The number of employees (at the end of the period) are as follows:

Workforce at the end of the period	**12/31/2010**	**12/31/2009**
Executives, employees and contributors	255	270
Total	**255**	**270**

8.2 Amortization and provisions

Depreciation

(in thousands of €)	**12/31/2010**	**12/31/2009**
Germany	12,884	12,967
France	565	5,567
Rest of the World	3,364	3,003
Italy	43	39
Holding company	210	228
Total	**17,066**	**21,803**

Provisions

(in thousands of €)	**12/31/2010**	**12/31/2009**
Germany	16,064	965
France	1,002	1,853
Rest of the World	(713)	137
Italy	31	71
Holding company	151	(25,966)
Total	**16,534**	**(22,939)**

The sum of provisions, depreciations and amortizations in the 2010 financial year amounts to 16,543 K euros, 16,065 K euros of which were in Germany.

In Germany, the risk of non collection for a certain number of older receivables required posting 8,976 K euros in depreciation.

Furthermore, the review of certain German contracts including a guarantee of revenue (**Operation** activity) made it necessary to post a provision for 4,700 K euros to cover the Group's future losses.

8.3 Other operating income and expenses

(in thousands of €)	**12/31/2010**	**12/31/2009**
Share-based payments (allocation of stock warrants)	(553)	(55)
Other income	5,705	3,027
Other expenses	(6,228)	(3,291)
Total	**(1,075)**	**(319)**

The other income breaks down as follows:

- Indemnities to receive in the context of contracts guaranteeing the availablity of turbines €1,308 K
- Impact from sale of 39% stake in the Italian wind farm Guinchetto €1,166 K
- Recovery of dedectible VAT as well as the payroll tax €960 K
- Other income related to the Group's activity €2,271 K

The other expenses break down as follows:

- Impact on the goodwill from sale of 39% stake in the Italian wind farm Giunchetto €4,207 K
- Disposal of asset (substation) €763 K
- Other expenses related to the Group's activity €1,258 K

8.4 Other non-current operating income and expenses

(in thousands of €)	**12/31/2010**	**12/31/2009**
Other non-current income and expenses	(1,807)	(1,856)
Total	**(1,807)**	**(1,856)**

This item in 2010 includes a provisional sum of 1,373 K euros, as part of a dispute between the Group and its former managers. In fact, following their removal, which occurred on February 9, 2010, Marc van't Noordende and Olivier Dubois took legal action against the company THEOLIA SA regarding compensation for damages suffered. In March 2011, a transactional agreement was signed which put an end to the parties' dispute. The amount posted corresponds to the amount of the transaction.

8.5 Impairment

Item breakdown

The impairments recognized at the end of the financial year are presented in the table below:

(in thousands of €)	**12/31/2010**	**12/31/2009**
Impairment of intangible assets	(438)	2,103
Impairment of tangible assets	(919)	5,271
Impairment of goodwill	(11,641)	(2,865)
Total	**(12,998)**	**4,509**

Note that the net impairments on capital assets as of December 31, 2009 correspond to depreciation reversals.

Breakdown by geographic area and activity

(in thousands of €)	12/31/2010	Asset depreciation	Goodwill	12/31/2009
Development and construction of wind farms	(1,834)	(1,834)		(624)
Production of wind energy	179	179		(302)
Non-wind activity	-			18
Corporate	-			(1,709)
Impairment – France	**(1,655)**	**(1,655)**	**-**	**(2,617)**
Development and construction of wind farms	(10,991)		(10,991)	
Production of wind energy	(698)	(672)	(26)	9,841
Non-wind activity	-			
Impairment – Germany	**(11,689)**	**(672)**	**(11,017)**	**9,841**
Development and construction of wind farms	198	198		336
Impairment – Spain	**198**	**198**	**-**	**336**
Development and construction of wind farms	435	435		(519)
Production of wind energy	(625)		(625)	
Non-wind activity	-			
Impairment – Italy	**(190)**	**435**	**(625)**	**(519)**
Development and construction of wind farms	(61)	(61)		
Production of wind energy	-			(2,532)
Non-wind activity	-			
Impairment – Morocco	**(61)**	**(61)**	**-**	**(2,532)**
Development and construction of wind farms	-			
Production of wind energy	398	398		
Non-wind activity	-			
Impairment - rest of the world	**398**	**398**	**-**	**-**
Total	**(12,998)**	**(1,357)**	**(11,641)**	**4,509**

Asset impairments reflect existing risks at closing for projects under development in France.

Every year, the Group performs impairment tests in order to ensure, in particular, that the non-depreciable assets are correctly valued. At year-end 2010, the income statement included a significant depreciation of goodwill for the wind farm development and construction business in Germany. In fact, during the second half of the year, the Group's new management revised downward the goals tied to volumes in farm sales as part of the "trading" business. The valuation performed using present value of future cash flows led to an impairment on the goodwill initially ascertained.

Analyses of the sensitivity of the principal assumptions as well as of depreciations by CGU are presented in Note 15.

9. Financial income

9.1. Item analysis

Income from cash and cash equivalents *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Interest income from cash and cash equivalents	173	308
Change in cash and cash equivalents	151	572
Other income	1	80
Income from cash and cash equivalents	**325**	**960**

Cost of gross financial debt *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Interest expenses on financing operations	(24,419)	(29,490)
Total	**(24,419)**	**(29,490)**
Cost of net financial debt	**(24,095)**	**(28,530)**

The cost of financial debt breaks down as follows:

- convertible bond (OCEANE) €13,866 K
- wind farms in Germany €4,039 K
- wind farms under development in Italy €515 K
- operating wind farm in Italy €475 K
- operating solar farm in Germany €525 K
- wind farms in France €3,438 K
- financing of the THEOLIA Naturenergien activity €1,010 K
- operating wind farm in Morocco €220 K
- other €7 K

9.2 Breakdown of other financial income

Other financial income *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Change in the fair value of financial instruments	107	108
Reversals of provisions	716	94
Foreign exchange gains	741	1,163
Early partial repayment of OCEANE bonds	80,689	
Other financial income	1,164	1,321
Other financial income	**83,416**	**2,685**

Depreciation reversals mainly concern reversals tied to reimbursing certain loans granted to customers of the main German subsidiary as part of its “trading” business.

In applying the International Accounting Standard 39, the renegotiation of a financial liability leading to the substantial change in the contract is analyzed as an extinction of debt. The value of the debt for the convertible bond remaining on the balance sheet after partially paying the nominal value early is derecognized based on the market value of the convertible bond on the transaction date. Therefore, restructuring the convertible bond led to the posting of 80,689 K euro in income (see Note 23.2).

Other financial income in 2010 includes, in particular, the interest revenue received by the parent company of the Giunchetto wind farm, consolidated in accordance with the proportional consolidation method.

9.3 Breakdown of other financial expenses

Other financial expenses *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Negative fair value changes/hedge derivatives/liabilities	(2,466)	(891)
Negative fair value difference on VMP and other speculative instruments	(1)	(174)
Foreign exchange losses	(550)	(1,569)
Net expenses on VMP disposals	-	-
Other financial expenses	(10,678)	(2,330)
Other financial expenses	**(13,695)**	**(4,964)**
OTHER FINANCIAL INCOME AND EXPENSES	**69,721**	**(2,279)**

Foreign exchange losses, (550) K euro, stem from transactions effected in Morocco and Brazil.

The other financial expenses include restructuring fees for the OCEANE convertible bond which amounted to (5,742) K euro (see Note 23.2).

The sale of the Alsleben wind farm (55 MW) carried out in May, 2010, had a negative impact on the net financial income for (2,600) K euro (derecognition attributed to the bank loan).

10. Income tax

(in thousands of €)	**12/31/2010**	**12/31/2009**
Corporate tax owed	(1,183)	(976)
Deferred tax	(3,307)	3,496
Total	**(4,490)**	**2,520**

The valuation of deferred tax assets and liabilities is based on the manner in which the THEOLIA Group expects to recover or settle the book value of the assets and liabilities, using the tax rates expected to be applied to the year in which the asset is realized or the liability paid.

A deferred tax asset is recognized only if it is probable that the THEOLIA Group will have future taxable income to which this asset can be charged.

The analysis of tax expenses can be found in Note 26.

11. Earnings per share

(in thousands of €)		**12/31/2010**	**12/31/2009**
Weighted average number of shares outstanding (in thousands)	**(1)**	**70,579**	**39,853**
Number of shares outstanding as of the closing date		110,293	39,895
Convertible OCEANEs		90,170	
Adjustments related to allocated free shares		1,777	2,071
Number of shares on a diluted basis	**(2)**	**202,240**	**41,966**

(in thousands of €)		**12/31/2010**	**12/31/2009**
Net income, Group share, allocated to shareholders	**(3)**	**5,857**	**(24,840)**
of which:			
- net income from continuing activities, Group share	(4)	7,319	(15,401)
- net income from discontinued activities or those in the process of being sold, Group share		(1,462)	(9,439)
Net income, Group share, allocated to shareholders in case of dilution	**(5)**	**15,211**	**(24,840)**
of which:			
- net income from continuing activities, Group share	(6)	16,673	(15,401)
- net income from discontinued activities or those in the process of being sold, Group share		(1,462)	(9,439)

(in €)		**12/31/2010**	**12/31/2009**
Base income per share, Group share			
- of the consolidated accounts	(3)/(1)	0.08	(0.62)
- of continuing activities	(4)/(1)	0.10	(0.39)
Diluted earnings per share, Group share			
- of the consolidated accounts	(5)/(2)	0.08	(0.59)
- of continuing activities	(6)/(2)	0.08	(0.37)

Information relating to the balance sheet

12. Goodwill

12.1 Change in the item

(in thousands of €)	Gross value	Impairment	Net value
Values at opening on 1/1/2010	**208,383**	**128,923**	**79,460**
Impairment	-	11,643	(11,643)
Business combinations	26	-	26
Disposals	(7,804)	(3,600)	(4,204)
Other changes	7,500	-	7,500
Values at closing on 12/31/2010	**208,105**	**136,966**	**71,138**

The value of goodwill went from €79,460 K on January 1, 2010 to €71,138 K on December 31, 2010 for an annual overall variation of €(8,322) K.

Almost all of the goodwill impairments, which represent €(15,847) K, break down primarily as follows:

- In Germany, an impairment of goodwill €(10,991) K in Development, construction, sale activity of wind farms;
- In Italy, goodwill associated with the Giunchetto wind farm, which was commissioned during the summer of 2010, was depreciated by €(625) K following the value test (IAS 36).

The sales affect the goodwill attached to the 55.5 MW German wind farm, which was sold during the first half of the year and fully depreciated at the beginning of the year.

The other variations concern the allocation of the goodwill generated by the earn-out paid for the acquisition of a project in Italy.

12.2 Allocation of goodwill by the Cash Generating Unit

Categories *(in thousands of €)*	Gross value	Impairment	Net value as of 12/31/2010	Net value as of 12/31/2009
DCS * of wind farms France	11,319	-	11,319	11,319
DCS * of wind farms Germany	75,957	55,628	20,328	31,321
DCS * of wind farms Italy	26,599	-	26,599	28,801
DCS * of wind farms Spain	1,650	1,645	5	5
DCS * of wind farms Other countries	1	-	1	1
Production of wind energy	90,757	77,875	12,883	8,012
Non-wind activity	109	109	-	-
Corporate activity	1,711	1,709	2	2
Total	**208,103**	**136,966**	**71,138**	**79,460**

** Development, construction, sale*

The Development, construction, sale activity comprises as many CGUs as there are countries involved.

The Sale of electricity for own account comprises as many CGUs as there are wind farms in operation.

13. Intangible assets

(in thousands of €)	Project currently under development	Costs of development (1)	Software and similar rights	Other intangible assets	TOTAL
Gross values at opening on 1/1/2010	**44,526**	**10,425**	**671**	**80,593**	**136,215**
Acquisitions and non-current assets generated internally	4,964	-	94	1,930	**6,987**
Industrial commissioning	(2,032)	2,032	-	-	**-**
Business combinations	5,108	-	-	-	**5,108**
Decrease	(1,246)	-	(2)	-	**(1,248)**
Disposals	-	-	-	(9,800)	**(9,800)**
Impact of change in method of consolidation	(1,426)	-	-	-	**(1,426)**
Conversion losses/gains	(24)	-	-	857	**833**
Other changes	2,322	-	-	90	**2,412**
Reclassification of discontinued activity	(68)	-	-	-	**(68)**
Values at closing on 31/12/2010/	**52,124**	**12,457**	**763**	**73,670**	**139,014**
Accumulated depreciation and amortization at opening on 01/01/2010	**(11,041)**	**(1,317)**	**(573)**	**(31,762)**	**(44,693)**
Depreciation	-	(436)	(75)	(3,281)	**(3,792)**
Depreciation for impairment	(1,460)	-	-	398	**(1,062)**
Business combinations	-	-	-	-	**-**
Reversals on disposals	146	-	(1)	1,232	**1,377**
Impact of change in method of consolidation	-	-	-	-	**-**
Conversion losses/gains	-	-	-	(442)	**(442)**
Other changes	(58)	-	(14)	(35)	**(107)**
Reclassification of discontinued activity	-	(1)	-	-	**(1)**
Accumulated depreciation and amortization at closing on 12/31/2010/	**(12,413)**	**(1,754)**	**(663)**	**(33,890)**	**(48,720)**
Net values at opening on 1/1/2010	**33,485**	**9,108**	**98**	**48,831**	**91,522**
Net values at closing on 12/31/2010	**39,711**	**10,703**	**100**	**39,780**	**90,294**

(1) Most of the item combines wind project development costs.

The item "Depreciation for impairment" is analyzed by CGU as follows:

(in thousands of €)	**IAS 36 impairment**	**Non IAS 36 impairment**	**Total**
Wind development, construction and sale France		(1,895)	(1,895)
Wind development, construction and sale Germany			-
Wind development, construction and sale Italy		435	435
Wind development, construction and sale Spain			-
Wind development, construction and sale other countries			-
Sale of electricity for own account	398		398
Non-wind activity			-
Corporate activity			-
TOTAL	**398**	**(1,460)**	**(1,062)**

The gross value of wind projects in development showed an increase of €7,598 K due to the progress of projects being developed by the Group.

The acquisitions and non-current assets generated internally during the year for €4,964 K primarily reflect the wind projects in development in France for €608 K and Italy for €4,264 K (mainly the projects Giunchetto, Bovino and Pergola).

The industrial commissioning concern the Giunchetto wind farm (15 MW net) located in Italy.

At the end of the year, the Group finalized the acquisition of the Giuggianello project in Italy (24 MW), for which the construction permit was approved. The project is in the final phase of development. The authorizations are valued at €5,108K.

The occurrence of the change of the method of consolidation of €(1,426) K concerns the Giunchetto wind farm, where construction is in progress. It is currently recorded in the Group financial statements using the proportional method of consolidation of 51%.

The risks regarding certain projects in development caused the Group to acknowledge impairments of €(1,462) K. In particular, wind projects in France were depreciated by €(1,895) K.

The acquisitions that concern other intangible assets, amounting to €1,930 K concern two wind farms located in Germany that were acquired at the end of the year.

The item “Other intangible assets” decreased following the sale of the Alsleben wind farm (55.5 MW) (impact of a gross value of €(9,800) K.

Reversals of sales of €1,232 K are related to the wind farms sold in Germany.

14. Property, plant & equipment

(in thousands of €)	Sites	Fixtures and fittings	Projects currently under construction	Technical facilities (1)	Other property, plant & equipment	TOTAL
Gross values at opening on 1/1/2010	**6,262**	**2,991**	**35,340**	**353,695**	**3,449**	**401,737**
Acquisitions	63	733	16,355	13,814	461	**31,426**
Industrial commissioning	-	-	(27,470)	27,470	-	**-**
Business combinations	54	-	-	8,672	730	**9,456**
Disposals	-	-	(589)	(80,629)	(248)	**(81,466)**
Impact of change in method of consolidation	(17)	(39)	(12,419)	(8)	-	**(12,483)**
Conversion losses/gains	-	3	-	5	19	**27**
Other changes	-	9	19,031	774	(646)	**19,168**
Reclassification of discontinued activity	-	-	-	-	-	**-**
Values at closing on 12/31/2010	**6,362**	**3,697**	**30,248**	**323,793**	**3,765**	**367,865**
Accumulated depreciation and amortization at opening on 01/01/2010	**(1,177)**	**(1,461)**	**(2,831)**	**(81,940)**	**(2,474)**	**(89,881)**
Depreciation	-	(193)	-	(12,865)	(216)	**(13,274)**
Depreciation for impairment	-	(17)	260	(537)	1	**(293)**
Business combinations	-	-	-	(1,243)	-	**(1,243)**
Reversals on disposals	-	-	374	14,802	74	**15,250**
Impact of change in method of consolidation				5		**5**
Conversion losses/gains	-	-	-	(2)	(6)	**(8)**
Other changes	-	44	-	(45)	370	**369**
Reclassification of discontinued activity	-	-	-	-	-	**-**
Accumulated depreciation and amortization at closing on 12/31/2010	**(1,177)**	**(1,622)**	**(2,197)**	**(81,823)**	**(2,256)**	**(89,075)**
Net values at opening on 1/1/2010	**5,085**	**1,530**	**32,509**	**271,755**	**975**	**311,858**
Net values at closing on 12/31/2010	**5,185**	**2,075**	**28,051**	**241,970**	**1,509**	**278,790**

(1) Most of the item combines the operating wind farms.

The item "Depreciation for impairment" is specified by CGU as follows:

(in thousands of €)	IAS 36 impairment	Non IAS 36 impairment	**Total**
Wind development, construction and sale France		62	62
Wind development, construction and sale Germany			-
Wind development, construction and sale Italy			-
Wind development, construction and sale Spain		198	198
Wind development, construction and sale other countries		1	1
Sale of electricity for own account	(493)		(493)
Non-wind activity			
Corporate activity		(61)	(61)
TOTAL	(493)	200	(293)

The principal variations related to Property, Plant and Equipment concern construction projects in progress and technical installations (wind farms).

The gross value of construction projects in progress decreased by €(5,092) K. The principal variations are as follows:

Acquisitions:

- wind projects in Italy increased by €15,671 K due to the acquisition of Vestas turbines for the Giunchetto wind farm.

Industrial commissioning:

- during the second half of the year, the Group finalized the construction of the Giunchetto wind farm and was subsequently able to commission that farm. The total for the asset (Group share of 51%) was €27,470 K.

Occurrence of change in the method of consolidation:

- the company responsible for the Giunchetto wind project is now proportionally consolidated at 51%. This change in method resulted in a decrease in consolidated assets of €(12,484) K (see Note 4 – Changes in scope of consolidation).

The other variations, amounting to €19,031 K, mostly include the allocation to Italy of the Suzlon turbines, which were originally recorded as inventory in the THEOLIA SA financial statements.

The acquisitions related to technical installations (wind farms) amounting to €13,814 K primarily concern four farms located in Germany, which represent a value of €13,676 K.

At the end of the year, the Wotan wind farm (6 MW of power) was acquired by the primary German subsidiary for an asset value of €8,669 K.

The sales of the technical installations for €(80,629) K are related to the sale (exclusion from scope) of four wind farms in Germany (59 MW).

The impairments identified during the impairment tests account for €(672) K for a wind farm in Germany.

Reversals of sales of €14,802 K concern the sale of wind farms in Germany.

15. Impairment of goodwill, intangible and tangible assets

The methodology and assumptions used for the impairment tests are described in Note 2.8 "Impairment."

The summary of the provisions for impairment by CGU breaks down as follows:

(in thousands of €)	**Country**	**Provisions for depreciation**	**On goodwill**	**On intangible assets**	**On property, plant and equipment**	**Provisions for depreciation**
Wind development, construction and sale	France	-		-	-	-
	Germany	(10,991)		(10,991)	-	-
	Italy	-		-	-	-
	Morocco	(1)		(1)		
	Spain	-			-	-
Sale of electricity for own account	France	-		-	-	-
	Germany	(672)		-	-	(672)
	Italy	(625)		(625)	-	-
Operations	Germany	-		-	-	-
Other	Rest of the world	-		-	-	**-**
Total		**(12,289)**		**(11,617)**	**-**	**(672)**

in thousands of €	**Country**	**Reversals on provisions**	**On intangible assets**	**On property, plant and equipment**
Wind development, construction and sale	France	-	-	-
	Germany	-	-	-
	Italy	-	-	-
	Spain	-	-	-
Sale of electricity for own account	France	179	-	179
	Germany	-	-	-
	Morocco	397	397	-
Non-wind activity		-	-	-
Corporate activity		-	-	**-**
Total		**576**	**397**	**179**

Sensitivity analysis

The sensitivity analysis was conducted by using two axes:

- One axis for the Group's activity: the variation of ±10% in wind hours assumed for each farm in operation;
- One axis outside the Group: the variation of ±1 point in the discount rates used

The amount in the table below represents the depreciation recognized as of December 31, 2010 for impairment tests.

The other amounts indicate the net reversals or (depreciations) which the Group would have recognized if the assumptions for discount rates and/or wind hours had changed.

Impairment noted (in €k):

Change in wind hours	10%	0%	-10%
Change in discount rate			
1%	(13,372)	(22,943)	(38,612)
0%	(10,991)	(11,713)	(26,230)
-1%	(9,634)	(9,634)	(14,537)

For the CGU from Sale of electricity for own account, the threshold from an impairment to a reversal would take place:

- by decreasing the discount rate by 76 basis points (or a discount rate of 4.64%);
- or by increasing the number of hours by 5.33%.

This information has not been provided for the Development, construction, sale activity for the following reasons:

- the change of wind hours does not impact the CGU level
- the discount rate that would be used to reach the threshold is not pertinent (negative rate).

16. Associated enterprises

As of December 31, 2010, the income for entities consolidated using the equity method corresponds to the following companies:

(in thousands of €)	% held	Share in net position of associated enterprises	Share in income of associated enterprises
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	(149)	(23)
SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	51.00%	(37)	(37)
NATURSTROMNETZ FRAUENPRIESSNITZ GMBH & CO KG	43.80%	-	-
ECOLUTIONS GMBH & CO KGaA	35.21%	9,789	(397)
THEOLIA WIND POWER PVT (INDIA)	23.88%	880	294
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	23.88%	(17)	(17)
ASSET ELECTRICA	50.00%	-	-
Total at closing on 12/31/2010		10,466	(180)

The Asset Electrica, THEOLIA Sitac Wind Power, and Seres Environnement Technology (Beijing) Co. Ltd companies are not consolidated in the global accounts because they are not exclusively controlled by the Group. The Group does not hold a majority of the votes on the Boards of Directors of these companies. In addition, the governance rules are not subject to joint control.

In 2010, the item changed as follows:

(in thousands of €)	ECOLUTIONS GMBH & CO KGaA	SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	Theolia Wind Power (including participations)	Total
Value of securities at the beginning of the year	10,497	-	(126)	544	10,916
Increase in percentage of control (relution/dilution)	(209)			222	13
Group share in the income for the financial year	(397)	(37)	(23)	54	(403)
Other changes	(102)			42	(60)
Value of securities at the end of the year	9,789	(37)	(149)	863	10,466

17. Financial assets

Maturity of financial assets as of 12/31/2010

12/31/2010 *(in thousands of €)*		**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Unconsolidated shares		-	407	293	700
Other financial assets					-
	Related receivables	-	-	6,012	6,012
	Loans	-	1,635	-	1,635
	Other non-current receivables	-	-	2,252	2,252
	Deposits and guarantees	106	342	75	523
	Various long-term investments	-	-	-	-
Financial assets		**106**	**2,384**	**8,632**	**11,122**

Maturity of financial assets as of 12/31/2009

12/31/2009 *(in thousands of €)*		**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Unconsolidated shares		-	634	293	927
Other financial assets		-	-	-	-
	Related receivables	-	-	2,000	2,000
	Loans	-	4,572	-	4,572
	Other non-current receivables	-	-	1,957	1,957
	Deposits and guarantees	129	403	8	540
	Various long-term investments	107	-	-	107
Financial assets		**236**	**5,609**	**4,258**	**10,103**

Analysis

Non-current financial assets include the loans made to the customers of THEOLIA Naturenergien as part of the activity to sell wind farms. At the end of the year, the net amount of these loans totaled €1,635 K compared with €4,572 K at the end of the previous year. This decrease is mostly attributable to the repayment of the loan granted in 2007 to the purchaser of a 6 MW wind farm.

The debts attached to the equity interests mostly concern the advances made to the following companies:

- THEOLIA Wind Power India €2,000 K
- Aerochetto (51% proportionally consolidated) €4,007 K

Securities available for sale totaled €700K and primarily represent equity interests in companies in the renewable energy sector.

The other capitalized accounts receivable include shares in investment funds that were subscribed to by a subsidiary in Germany as part of its financing. These shares were subject to a valuation at their closing value based on their income (financial).

18. Working capital requirement

18.1 Change in WCR

(in thousands of €)	Balance sheet as of 12/31/2009	Balance sheet as of 12/31/2010	Change in the working capital requirements (Balance sheet)	Presentation reclassification operations	Change in consolidation scope	Conversion losses/gains	Other reclassifications	Change in the working capital requirements (cash flow statement)
Inventories and work in progress (net)	51,814	19,805	32,009	(23,102)	2,396	154	-	11,457
Trade receivables (net)	32,492	30,833	1,658	310	(3,782)	32	4	(1,778)
Suppliers and other operating debts	(25,481)	(23,344)	(2,137)	1,523	1,065	(14)	(6)	431
Other receivables	19,774	16,448	3,326	23,536	(1,474)	11	19	25,422
Other liabilities	(12,022)	(10,989)	(1,033)	369	(296)	(16)	(3)	(979)
Adjustment accounts-assets	2,836	3,378	(542)	(65)	(158)	(1)	106	(659)
Adjustment accounts-liabilities	(72)	(57)	(15)	-	-	-	-	(15)
TOTAL	**69,340**	**36,076**	**33,265**	**2,572**	**(2,249)**	**165**	**121**	**33,879**

The working capital requirement decreased by €33.88 million in 2010 compared to €54.28 million in 2009.

These changes may be explained primarily by the following items:

- in 2009, the major program to sell wind farms and projects took place in particular by drawing on inventories constituted in 2008, thus leading to a sharp reduction in inventories in 2009. In 2010, the Group continued to sell wind farms and projects while withdrawing from inventories in the amount of €24.3 million. At the end of the year, inventory for wind projects and farms related to trading activity in Germany was almost entirely renewed. Overall, the Group stored €12.8 million in wind projects and farms over the year. As a result, inventories decreased €11.5 million in 2010;

- wind farm and project sales in 2009 generated only a limited increase of €5.1 million in customer debt for the year because most of the sales had been made and cleared before December 31, 2009. Fiscal year 2010 is marked by an increase of works in progress related to Operation activities. This effect is mitigated by the recording, due to the risk of recovery, of €9 million in depreciations in receivables from this same sector of activity. Moreover, a large sale of €5.7 million at the end of the year was made but did not clear by the close of the year;

- the change in supplier debt from 2009 to 2010 was insignificant. Debt related to the acquisition of farms and projects inventoried over 2010 was paid during the year. It is further noted that the change in supplier debt associated with the wind farms being constructed for own account impacts investment cash flows, not supplier debt. In 2009, supplier debt had decreased by €39.1 million, following the payment in 2009 for the purchases made in 2008;

- in 2010, the change in other receivables and debts generated positive cash flows due in particular to the repayments of the receivables that were held on the wind farm and assigned during the year in the amount of €16.9 million. It should be noted that deductible VAT related to turbines acquired by THEOLIA SA totaling €4 million was reimbursed over the year.

18.2 Inventories

(in thousands of €)	**12/31/2010**	**12/31/2009**
Wind projects	19,083	42,324
Materials	4,799	15,205
Impairment	(4,077)	(5,715)
Net value	**19,805**	**51,814**

Inventories by geographic region break down as follows:

(in thousands of €)			**31/12/2010**	**31/12/2009**
	Gross value	**Impairment**	**Net value**	**Net value**
Germany	16,600	(835)	15,765	29,611
France	2,841	(994)	1,847	1,112
Rest of the World	2,809	(764)	2,046	1,938
Italy	241	(93)	148	772
Corporate	1,390	(1,390)	-	18,381
	23,881	**(4,076)**	**19,805**	**51,814**

Inventory in Germany (€15,765 K) is related to the “trading” activity and consists of:

- €12,566 K in wind farms and projects;
- €3,199 K in turbine components.

Almost all of the projects previously stored were sold during the year or reclassified as non-current assets. The inventory as of year’s end (€12,566 K) is composed primarily of new wind projects stored during the year. It represents 77.3 MW at various stages of progress.

Moreover, the Company still has an inventory of turbine components of a net amount of €3,199 K. This inventory of components is valuated at the end of every year and was depreciated by €732 K.

Net inventories of projects developed by the “Rest of World” companies include:

- the projects developed in Brazil €1,179 K
- the spare parts for maintenance of the wind farm located in Morocco €876 K

Inventory at the start of the year of €18,381 K for Corporate activity mostly represented the Suzlon turbines acquired in 2008. As of December 31, 2010, the Group allocated these turbines to a project located in Italy with a nominal capacity of 21 MW.

18.3 Trade receivables

Change

(in thousands of €)	Gross value 12/31/2010	Provisions 12/31/2010	Net value 12/31/2010	Net value 12/31/2009
Trade receivables	43,882	(13,048)	30,834	32,492
Total	**43,882**	**(13,048)**	**30,834**	**32,492**

Trade receivables (gross) in the amount of €43,882 K, break down mostly as follows:

- Germany: €36,706 K
  (of which €16,354 K in the activity for third parties and €17,127 K for "trading" activity)
- France: €3,366 K
- Italy: €1,105 K
- Other countries: €2,041 K

The depreciations recorded mostly concern receivables related to the management of wind farms for third parties in Germany. The depreciation to be recognized is calculated receivable by receivable, based on the date and the level of risk estimated by Group management.

Schedule as of 12/31/2010

(in thousands of €)	Outstanding not accrued	Outstanding accrued			TOTAL
		From 0 to 6 months	From 6 to12 months	> 12 months	
Trade and other receivables	12,573	11,350	9,675	9,630	**43,228**
Doubtful receivables	-	-	-	654	**654**
Trade provision and related receivables	(1,011)	(339)	(6,629)	(5,068)	**(13,048)**
Total trade and related receivables	**11,562**	**11,011**	**3,046**	**5,216**	**30,834**

The analysis of Group receivables by maturity breaks down as follows:

- The majority of receivables considered to be not matured include the amounts not yet invoiced at the end of the year. They break down as follows:
  - Sale of electricity for own account €3,384 K
  - construction development (France) €1,334 K
  - trading activity and management for third parties in Germany €7,468 K
  - other €387 K

All receivables were analyzed for their recovery risk. A depreciation of the receivables was acknowledged for the receivables for which there was a risk of non-recovery.

18.4 Other current assets

(in thousands of €)	Gross value 12/31/2010	Impairment 12/31/2010	Net value 12/31/2010	Net value 12/31/2009
Supplier advances and installments	5,675	-	5,675	5,130
Receivables on asset disposals	-	-	-	3
Tax receivables (excluding corp. tax)	8,390		8,390	12,580
Soc. security receivables	69		69	95
Current accounts	57	-	57	157
Various receivables	3,135	(878)	2,257	1,823
Prepaid expenses	3,379		3,379	2,777
Conversion losses/gains - assets	-		-	59
Total	**20,705**	**(878)**	**19,827**	**22,623**

Advances and installments primarily represent payments made in the amount of €4,030 K for the reservation of turbines by THEOLIA SA for a project in Italy and for €1,248 K by THEOLIA Naturenergien.

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

- progress on wind projects in Italy (mainly a commissioned wind farm) €3,820 K
- progress on wind projects in France €1,435 K
- wind projects acquired in Germany (THEOLIA Naturenergien): €2,007 K
- other €1,127 K

The majority of prepaid expenses are related to the Sale of electricity sales for own account activity (maintenance, rent, etc.).

18.5 Suppliers and other creditors

(in thousands of €)	12/31/2009	12/31/2009
Advances and installments received	1,335	56
Suppliers	23,344	25,482
Suppliers of capital assets	2,852	
Other	7,768	15,747
Total	**35,299**	**41,285**

Group suppliers may be broken down as follows:

- France €2,400 K
- Germany €17,904 K (of which €12,443 K for THEOLIA Naturenergien)
- Italy €882 K
- Corporate €1,373 K
- other countries €785 K

Fixed asset suppliers are included under the activity “Development, construction, sale”, mostly in Italy and also in France.

(in thousands of €)	12/31/2010	12/31/2009
Social security liabilities	2,718	1,932
Tax liabilities	4,595	8,783
Total	**7,313**	**10,715**

Tax liabilities refer mainly to the VAT collected and not yet repaid.

(in thousands of €)	Invoices not received	From 0 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	TOTAL
Suppliers and related payables	6,019	9,946	1,297	212	5,870	23,344
Social security and employee-related debts	21	2,697	-	-	-	2,718
Tax debts excluding corp. tax	186	4,325	84	-	-	4,595
Income tax and tax consolidation	-	847	-	-	-	847
Total suppliers and other debts	6,226	17,815	1,381	212	5,870	31,504

Suppliers that have a maturity of between 0 and 3 months are directly related to Group operational activity and do not warrant any specific comments.

Former suppliers (9-12 months) are located for the most part in Germany. These debts will be settled once the Group has deemed that these suppliers have met all of their obligations.

19. Cash and cash equivalents

Position

(in thousands of €)	12/31/2010	12/31/2009
Marketable securities (net)	64,977	25,503
Cash and cash equivalents	45,455	68,684
Total cash and cash equivalents	**110,432**	**94,187**
Bank loans	(71)	(7)
Net cash	**110,361**	**94,180**

Details of cash available / not available

(in thousands of €)	12/31/2010	12/31/2009
Available cash	69,184	52,770
SPV reserved cash	17,661	16,503
Blocked cash	23,587	24,914
Bank loans	(71)	(7)
Total cash and cash equivalents	**110,361**	**94,180**

Total Group cash is divided into three categories: Cash available, reserved cash and blocked cash.

Cash available

As of December 31, 2010, cash available amounted to €69,184 K (63% of total cash), of which €55,096 K was for THEOLIA SA and €14,086 K was in the subsidiaries. This cash was allocated directly to holding company operations and the operation of subsidiaries, with for Germany, a limited possibility of return to the holding company.

The €14,086 K breaks down as follows:

- France (not incl. THEOLIA SA) : €930 K
- Germany: €12,003 K
- Italy: €738 K
- Other countries: €415 K

Reserved cash (SPVs)

Reserved cash (SPVs) totals €17,661 K (16% of total cash). It corresponds to the cash that the project support companies cannot transfer freely and completely pursuant to the financing conditions but remains completely available for their current operations.

Reserved cash breaks down in the following manner:

- France: €7,266 K
- Germany: €6,988 K
- Morocco: €3,407 K

Blocked cash

Blocked cash amounts to €23,587 K (21% of total cash). This cash may not be used freely for current operations. It corresponds for the most part to account pledge agreements that constitute securities to lenders (reserve accounts for the servicing of debt, maintenance or deposit reserve accounts for the issue of bank guarantees for decommissioning).

It breaks down in the following manner:

- France: €4,038 K
- Germany: €14,090 K
- Italy: €3,196 K
- Rest of the World €2,232 K
- Other €31 K

Marketable securities

Marketable securities totaled €64,977 K, including €54,629 K for THEOLIA SA. They correspond to secured investments and are comprised primarily of money market and term deposit funds (around 90% of investments).

This item is comprised of the following instruments:

- Fully secured investments (100% monetary) of €51,614 K;
- Time-deposit accounts of €3,000 K;
- Interest accrued on time-deposit accounts of €15 K.

The policy for managing financial risks is presented in Note 23 to the financial statements.

20. Assets and liabilities held for sale

As part of its reorganization, the Group decided to conduct a sale of the activities that it considers to be non-strategic: mostly assets from non-wind activities. This decision was made by the THEOLIA Board of Directors in November 2008 that was reaffirmed by the Board of Directors on September 2, 2010.

The financial statements as of December 31, 2010 maintain the treatment as assets and liabilities available for sale for non-wind activities that had already been classified as such at the end of 2009 and had not yet been sold. In 2010, the Group did not finalize the sale of all of its non-wind activities, given in particular the economic environment and the changes that took place in the General Management of the Group in the first half of 2010. The Group actively continued its plan to sell these activities.

The assets and liabilities in question, which represent the Environment Division, are posted in the following Companies:

- Seres Environnement (and its subsidiaries);
- Ecoval 30;
- Therbio.

The sale of such assets has been accounted for in the annual financial statements ended December 31, 2008 in accordance with IFRS 5 as "Non-current assets held for sale and discontinued operations". As of December 31, 2010, this accounting treatment was still in effect.
As a result, all transactions for the year relating to the Environment Division were combined in the income statement item titled “Income net of corporate tax from discontinued activities or those in the process of being sold”. The assets and liabilities were combined in a line on the asset and liabilities sides of the balance sheet entitled "Assets/liabilities intended for sale."

The asset values were depreciated on the basis of the probable selling prices. A depreciation of €6,034 K was recorded for this reason at the end of 2009. On December 31, 2010 this provision was readjusted to take into account sales that took place and changes in net assets: a reversal of €2,560 K was recorded.

20.1 Information on the financial statement

As of December 31, 2010

(in thousands of €)	THEOLIA Group before IFRS 5, 12/31/2010	IFRS 5 restatements	THEOLIA Group IFRS 5 restated 12/31/2010
Goodwill	71,138		71,138
Intangible assets	89,563	731	90,294
Property, plant & equipment	285,639	(6,849)	278,790
Equity-accounted investments	10,489	(23)	10,466
Non-current financial assets	10,971	46	11,016
Deferred tax assets	30,772	(627)	30,144
NON-CURRENT ASSSETS	**498,571**	**(6,722)**	**491,848**
Inventories	21,974	(2,169)	19,805
Trade receivables	33,099	(2,265)	30,833
Other current assets	21,291	(1,465)	19,827
Current tax	5,687		5,687
Current financial assets	106	(1)	106
Cash and cash equivalents	111,021	(588)	110,432
CURRENT ASSSETS	**193,168**	**(6,478)**	**186,690**
Assets held for sale		13,201	13,201
TOTAL ASSETS	**691,738**	**-**	**691,738**
Capital	110,293		110,293
Premiums	304,947		304,947
Reserves	(198,829)		(198,829)
Profit/loss	5,857		5,857
Shareholders' equity, Group share	**222,268**		**222,268**
Minority interests	(2,261)		(2,261)
Shareholders' equity	**220,007**		**220 ,007**
Non-current financial liabilities	259,722	(4,298)	255,424
Deferred tax liabilities	43,122		43,122
Provision for retirement	491	(362)	129
Provisions (non-current)	18,743	(427)	18,316
Other non-current liabilities	8,215	(155)	8,060
Liabilities (non-current)	**330,293**	**(5,241)**	**325,051**
Current financial liabilities	93,520	(837)	92,683
Provisions (current)	597		597
Suppliers and other creditors	37,762	(2,463)	35,299
Tax and social liabilities	8,498	(1,184)	7,313
Current tax	1,061		1,061
Current Liabilities	**141,438**	**(4,485)**	**136,953**
Liabilities related to assets held for sale		9,727	9,727
TOTAL DEBTS AND SHAREHOLDER'S EQUITY	**691,738**	**-**	**691,738**

As of December 31, 2009

(in thousands of €)	THEOLIA Group before IFRS 5, 12/31/2009	IFRS 5 restatements	THEOLIA Group IFRS 5 Restated 12/31/2009
Goodwill	80,058	(598)	79,460
Intangible assets	91,147	376	91,523
Property, plant & equipment	318,620	(6,762)	311,858
Equity-accounted investments	10,935	(20)	10,915
Non-current financial assets	9,953	(86)	9,867
Deferred tax assets	8,795	(655)	8,140
NON-CURRENT ASSSETS	**519,509**	**(7,746)**	**511,763**
Inventories	54,015	(2,201)	51,814
Trade receivables	35,615	(3,123)	32,492
Other current assets	25,330	(2,707)	22,623
Current tax	5,227	(5)	5,222
Current financial assets	365	(129)	236
Cash and cash equivalents	95,348	(1,161)	94,187
CURRENT ASSSETS	**215,900**	**(9,326)**	**206,574**
	-	**17,072**	**17,072**
TOTAL ASSETS	**735,409**	**-**	**735,409**
Capital	39,895		39,895
Premiums	307,546		307,546
Reserves	(177,658)		(177,658)
Profit/loss	(24,840)		(24,840)
Shareholders' equity, Group share	**144,943**		**144,943**
Minority interests	(1,823)		(1,823)
Shareholders' equity	**143,120**	**-**	**143,120**
Non-current financial liabilities	371,252	(5,073)	366,179
Deferred tax liabilities	22,175		22,175
Provision for retirement	539	(460)	79
Provisions (non-current)	14,547	(108)	14,439
Other non-current liabilities	691	(130)	561
Liabilities (non-current)	**409,203**	**(5,770)**	**403,433**
Current financial liabilities	125,189	(887)	124,302
Provisions (current)			
Suppliers and other creditors	44,121	(2,836)	41,285
Tax and social liabilities	12,260	(1,545)	10,715
Current tax	1,516		1,516
Current Liabilities	**183,086**	**(5,268)**	**177,818**
		11,038	11,038
TOTAL DEBTS AND SHAREHOLDER'S EQUITY	**735,409**	**-**	**735,409**

The figures presented for 2009 have been restated in accordance with the standard IAS 8 (see Note 2.1)

20.2 *Information on the income statement*

As of December 31, 2010

(in thousands of €)	THEOLIA Group before IFRS 5 12/31/2010	IFRS 5 restatements	THEOLIA Group IFRS 5 restated 12/31/2010
Revenue	**164,685**	**(10,143)**	**154,542**
Purchases and changes in inventory	(104,217)	2,811	(101,405)
Non-current production	256	(256)	-
External expenses	(30,406)	5,046	(25,360)
Personnel expenses	(15,887)	4,198	(11,690)
Income and similar taxes	(1,400)	310	(1,090)
Net depreciation and provision allowances	(34,731)	1,130	(33,600)
Other income from ordinary activities	(3,215)	2,140	(1,074)
Current operating income	**(24,914)**	**5,236**	**(19,678)**
Impairment	(12,331)	(667)	(12,998)
Other non-current operating income and expenses	(1,751)	(56)	(1,807)
Operating income	**(38,996)**	**4,513**	**(34,483)**
Net cost of debt	(23,856)	(238)	(24,095)
Other financial income and expenses	69,578	143	69,721
Net financial income (expense)	**(45,721)**	**95**	**(45,626)**
Net income from equity-accounted companies	(180)	-	(180)
Tax	(4,328)	(162)	(4,490)
Net income from continuing activities	**2,027**	**4,446**	**6,473**
Net income from the activities held for sale	**-**	(1,480)	(1,480)
NET INCOME	**2,028**	**2,966**	**4,993**
Of which, Group share	2,892	2,966	5,857
Of which, minority interests	(865)	-	(865)

As of December 31, 2009

(in thousands of €)	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 restatements	THEOLIA Group IFRS 5 restated 12/31/2009
Revenue	**304,154**	**(9,775)**	**294,380**
Purchases and changes in inventory	(227,497)	2,211	(225,286)
Non-current production	(394)	394	-
External expenses	(38,766)	5,153	(33,613)
Personnel expenses	(16,214)	4,500	(11,714)
Income and similar taxes	(1,664)	450	(1,215)
Net depreciation and provision allowances	(1,565)	2,702	1,136
Other income from ordinary activities	1,624	(1,943)	(319)
Current operating income	**19,677**	**3,692**	**23,369**
Impairment	4,509	-	4,509
Other non-current operating income and expenses	(1,528)	(328)	(1,856)
Operating income	**22,659**	**3,364**	**26,022**
Net cost of debt	(28,876)	346	(28,530)
Other financial income and expenses	(8,295)	6,016	(2,279)
Net financial income (expense)	**37,171**	**(6,362)**	**30,809**
Net income from equity-accounted companies	(13,470)	-	(13,470)
Tax	2,807	(287)	2,520
Net income from continuing activities	**(25,176)**	**9,439**	**(15,737)**
Net income from the activities held for sale	-	(9,439)	(9,439)
NET INCOME	**(25,176)**	**-**	**(25,176)**
Of which, Group share	(24,840)	-	(24,840)
Of which, minority interests	(335)	-	(335)

The figures presented for 2009 have been restated in accordance with the standard IAS 8 (see Note 2.1)

21. Shareholders' equity

21.1 Number of shares outstanding

	Par value (€)	Number of shares at 1/1/2010	Free shares	Creation of shares by conversion of OCEANEs	Shares issued (cash)	12/31/2010	
Number of shares	1	39,895,207	413,500	9,521,016	60,463,059	110,292,782	*
Number of shares	**1**	**39,895,207**	**413,500**	**9,521,016**	**60,463,059**	**110,292,782**	
Share capital		**39,895,207**	**413,500**	**9,521,016**	**60,463,059**	**110,292,782**	

* Of which 190,396 treasury shares as of December 31, 2010.

As of December 31, 2010, the capital was composed of 110,292,782 shares with a par value of €1.

Double voting rights are given to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder, either a French national or a national of a member State of the European Economic Community.

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

21.2 Minority interests

Most of the minority interests correspond to the rights of a partner bank which has assisted the Italian Group Maestrale Green Energy in the development of a wind farm in Italy since its formation, primarily by granting a loan. This partner is committed in the program support company in the amount of the sums paid.

At year end, this shareholder's share on the balance sheet for €(2,296) K was less than the loan made.

22. Share-based compensation

22.1 Summary of changes in stock warrants (BSA)

	12/31/2010
Stock warrants exercisable as of December 31, 2009	**3,922,650**
Canceled	360,544
Balance as of December 31, 2010	**3,562,106**

During 2010, the Group did not attribute stock warrants.

	BSA CS4	BSA CS5	BSA Bis	BSA DA 06	BSA EP 06
Subscription price	0.000485	0.000485		0.0001	0.0001
Exercice price	4.85	4.85		15.28	15.28
Deadline	11/02/2010 then to 12/31/2013	11/02/2010 then to 12/31/2014		05/17/2012	05/24/2012
Parity	1.344	1.344		1.132	1.132
Balance at December 31, 2009	50,000	50,000	300,000	7,000	29,093
Attributed during the year	-	-		-	-
Exercised during the year	-	-		-	-
Expired or non-exercisable during the year	-	-	300,000	-	-
Total stock warrants	50,000	50,000		7,000	29,093
Total shares	67,200	67,200		7,924	32,933

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercice price	15.28	15.28	15.28	15.28	15.28
Deadline	06/11/2012	05/19/2012	05/16/2012	05/19/2012	01/01/2013
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	64,000	29,093	31,451	7,000	29,093
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	-
Total stock warrants	64,000	29,093	31,451	7,000	29,093
Total shares	72,448	32,933	35,603	7,924	32,933

	BSA LF07	BSA SO07	BSA SG07	BSA JMS PC 800M	BSA PC 880 M 2008
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercice price	15.28	15.28	15.28	12.17	15.64
Deadline	01/01/2013	01/01/2013	01/01/2013	12/31/2012	12/31/2012
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	29,093	29,093	31,451	80,460	37,093
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	-
Total stock warrants	29,093	29,093	31,451	80,460	37,093
Total shares	32,933	32,933	35,603	91,081	41,989

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Subscription price	0.0010	0.0010	0.0001	0.0001	0.0001
Exercice price	16.50	17.50	12.95	12.95	12.95
Deadline	01/03/2011	01/02/2012	07/02/2013	07/02/2013	07/02/2013
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	31 451
Total stock warrants	1,500,000	1,500,000	29,093	29,093	
Total shares	1,698,000	1,698,000	32,933	32,933	

	BSA SO 08
Subscription price	0.0001
Exercice price	12.95
Deadline	07/02/2013
Parity	1.132
Balance at December 31, 2009	29,093
Attributed during the year	-
Exercised during the year	-
Expired or non-exercisable during the year	29 093
Total stock warrants	
Total shares	

List of stock warrant beneficiaries:

- company controlled by George Hersbach, director of the Company
- company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo
- former Chairman and CEO of the Company
- former director of the Company
- former shareholder of the Company

No stock warrants were exercised during 2010.

Following the capital increase and the resulting dilution, the parity of the outstanding stock warrants was modified. It was 1.132 as of 12/31/2010.

22.2 *Free shares*

Free shares were awarded on the following dates:

	Allocation of shares	Shares created (new shares)	Cancellation	Renunciation	Shares remaining to be created on closing
In 2005	**16,000**	**16,000**	**-**	**-**	**-**
10/13/2006	407,500	407,500			
In 2006	**407,500**	**407,500**	**-**	**-**	**-**
2/6/2007	175,215	175,215			
In 2007	**175,215**	**175,215**	**-**	**-**	**-**
1/8/2008	100,000	100,000			-
1/30/2008	313,500	313,500			
In 2008	**413,500**	**413,500**	**-**	**-**	**-**
2/11/2009	44,407				44,407
6/11/2009	199,426			(199,426)	-
12/17/2009	1,413,278		(60,000)	(998,278)	355,000
In 2009	**1,657,111**		**(60,000)**	**(1,197,704)**	**399,407**
2/22/2010	210,000		(30,000)		180,000
In 2010	**210,000**		**(30,000)**		**180,000**
Total	**2,879,326**	**1,012,215**	**(90,000)**	**(1,197,704)**	**579,407**

The allocations of free shares are valued taking into consideration the price on their allocation date (€3.07 for 2010 allocations).

The shares allotted in February and December 2009 will be fully vested at the end of a vesting period of two years from the date of the allotment (assuming employment in the company). Moreover, the shares granted in December 2009 are also subject to attendance and performance criteria (internal indicators).

The shares granted under condition of attendance (two years) to two employees who left the Group during 2010 have been cancelled. There was no reason to acknowledge the expense related to these 90,000 shares under the provisions of IFRS 2.

Following negotiations between the Group and former executives (dismissed on February 9, 2010), the latter have waived their rights to any final allocation of the 1,197,704 free shares granted during 2009.

As a result, at the end of the year, there remain 579,407 shares to create, which correspond to the 2009 and 2010 allocations.

The expense of € (1,026) K recognized for the year represents:

- shares granted in 2009: € (473) K
- shares granted in 2010: € (553) K

The estimated charge based on the criteria of presence and performance of € (409) K has yet to be recognized.

22.3 *Stock options*

After receiving input from the Nominations and Remuneration Committee, on December 1, 2010, the Board of Directors decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as Chief Executive Officer, subject to conditions of performance. These options may be exercised at the lower of the two following levels: €1.40 or the mathematically average weighted share price calculated over the 20 trading days preceding the Board of Directors meeting granting these options.

Performance conditions are based on changes in the trading price of the THEOLIA share, i.e.:

- 100,000 (approximately 6.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €1.80;
- 300,000 (20%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €2.50;
- 200,000 (approximately 13.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €3.00;
- 400,000 (approximately 26.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €3.50; and
- 500,000 (approximately 33.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €5.00.

In the event that the Chief Executive Officer of the Company should cease to hold his or her office, for whatever reason, the following principles will apply:

- if termination occurs before the end of the tax unavailability period (for each option, a lockup period of four years from the grant date pursuant to Article 163 bis C of the French General Tax Code), the stock options shall:
  - automatically become exercisable from the date of termination, subject to and for the amount of the achievement of conditions of performance on the exercise date, and
  - remain exercisable until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void, and
- if termination occurs after the end of the tax unavailability period, the stock options shall remain exercisable:
  - after the date of termination, subject to and for the amount of the achievement of conditions of performance on the exercise date;
  - until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void;

Finally, 50% of the shares from the exercise of stock options will be retained by the Chief Executive Officer and recorded as registered shares for the remainder of his or her term.

With respect to all the terms outlined above, the valuation has been made by a trinomial method (mathematical probability model based on an outline relying on restrictive assumptions). The working assumptions are presented below:

• grant date	December 1, 2010
• acquisition period	5 years
• definitive acquisition date	December 1, 2015
• conservation period (shares unable to be sold)	2 years
• share price at attribution	€1.16
• expected dividend rate	0%
• exercise price	€1.24
• risk free rate	1.60%
• illiquidity cost and assumed approach	€57 K
• fair value of plan (not incl. illiquidity cost)	€416.2 K

The value of the stock options by “tranche”, before illiquidity discount of the shares issued upon exercise, is presented below:

• value of tranche >€5	€108.5 K;
• value of tranche >€3.5	€86.8 K;
• value of tranche >€3	€70.5 K;
• value of tranche >€2.5	€105.7 K;
• value of tranche >€1.8	€44.7 K.

Overall the total is €416.2 K and €351.1 K after discount. This expense is spread out on a pro rata basis over the life of the plan. No charge has been recorded in the accounts closed as of December 31, 2010 due to its insignificant nature.

23. Financial liabilities and financial derivatives

23.1 Change in financial debt

(in thousands of €)	Borrowings from credit institutions	Convertible bond	Bank overdrafts and equivalent	Other financial liabilities	TOTAL
Values at opening on 1/1/2010	**267,211**	**218,729**	**7**	**4,534**	**490,481**
Increase	42,840	134,805	-	6,201	**183,846**
Repayment	(51,027)	(236,028)	71	(69)	**(287,053)**
Change in scope - Business combinations	6,465	-	-	2,403	**8,868**
Change in scope - Deconsolidation	(43,671)	-	(4)	(831)	**(44,506)**
Conversion losses/gains	65	-	-	-	**65**
Other changes	240	-	(2)	(3,832)	**(3,594)**
Financial debt	**222,123**	**117,506**	**72**	**8,406**	**348,107**

As of December 31, 2010, financial debt represents €348,107 K, a decrease of €142,374 K compared to December 31, 2009.

This variation is related to the following events:

Bank loans

- increase related to the establishment of new financing for a wind farm project in Italy and Germany: +€39,840 K (net of refinancing transactions) ;
- repayments of debt corresponding to:
    - repayment of principal on wind farms in operation (France, Germany, Italy, Morocco) for €(17,281) K,
    - repayment of corporate credit lines in Germany for €(16,896) K,
    - repayment of financing as part of asset trading activities in Germany for €(6,324) K,
    - repayment of pre-financing of turbines for €(7,526) K;
- others: €305 K
- change in the scope of consolidation € (37,206) K

It is noted that as of December 31, 2010, the Group does not have available corporate credit lines that have not been drawn down.

Convertible bond

(in thousands of €)

Change in bond debt	Increase	Decrease
OCEANE before restructuring		
Accrued interest	2,198	(4,800)
Interest in addition to EIR	5,804	
Partial repayment		(18,698)
Derecognition		(201,035)
OCEANE after restructuring		
Re-recognition	120,346	
Accrued interest	2,395	
Interest in addition to EIR	4,062	
Conversions		(11,495)
TOTAL	**134,805**	**(236,028)**

- Other financial liabilities

The change in other financial liabilities is due to:

- the negative change in interest rate hedging instruments established for French and Italian wind farms for €(1,637) K;
- the impact of the change in consolidation method (proportional integration) on the share of the current account transferred to the minority investor borne by Aerochetto for €2,293 K.

23.2 Restructuring of the OCEANE

The financial restructuring ("restructuring") of the bond issue begun in 2009 was completed during the year. It resulted in:

- the modification of the terms of the OCEANE issue agreement;
- the carrying out of a capital increase reserved for existing shareholders for €60,463,059 by issuing 60,463,059 new shares worth €1 each; and
- the partial repayment of the nominal value of the loan amounting to €20,423 K.

The accounting approach used for the restructuring concerns the debt remaining after the partial repayment due at the end of the capital increase.

Regarding the impact of the restructuring on Group accounting aggregates, the international accounting standards that provide the framework for the consolidated financial statements of the Group do not provide the specific case that may apply to THEOLIA, namely a case of renegotiation on a compound instrument. The Company therefore refers to the principles of derecognition of financial liabilities as defined in the provisions on trade in non-convertible debt (IAS 39).

In accordance with IAS 39.40, the renegotiation of debt causing a substantial change in the agreement is similar to an extinguishment of debt. The Company believes that this rule applies to the restructuring, in view of the materiality of the changes made to the OCEANE issue agreement in the context of the restructuring. In particular, changing the maturity of the instrument, changing the date and the exercise value of the ability to repay, early redemption at the option of the holders, and changing the share allocation ratio significantly change the terms of the OCEANEs. In addition, the Company conducted the 10% test relative to the change in cash flow before and after renegotiation as provided by IAS 39. AG62 "pursuant to paragraph 40", and this test confirms that there is substantial change whatever the amount of gross proceeds of the capital increase may be. The Company has therefore proceeded with the derecognition of the convertible debt, both to treat early partial repayment and to modify of the terms of the OCEANE issue agreement.

Consequently, the impact of the restructuring on net income, the level of debt and Group equity may be broken down from an accounting standpoint into three steps that take place concurrently on the settlement date of the capital increase:

- early and partial repayment of the nominal amount of the OCEANEs;
- derecognition of the debt for the OCEANEs with existing terms; and
- recognition of debt for the OCEANEs with modified terms.

The restructuring costs are recorded as an expense because:

- no fees may be directly allocated to the capital increase transaction,
- the transaction led to the derecognition of existing convertible debt in its entirety (as a result of the partial early payment and because of the restructuring of the remaining part), fees and commissions paid relating to the restructuring of the OCEANEs will be recognized as an expense for the year by analogy with IAS 39-AG62.

Partial early repayment of the nominal amount of the OCEANEs

The early repayment of part of the nominal amount of the OCEANEs leads to the derecognition of the corresponding debt and the recognition of derecognition income to the extent that there is a difference between the amount repaid and the book value of the debt repaid at the completion date of the capital increase.

Moreover, partial and early repayment implies a reduction in cash equal to the amount paid and a reduction in balance sheet debt in the amount of the share of the amount repaid.

Derecognition of debt under the OCEANEs with their current terms

The amount of debt under the OCEANEs remaining in the balance sheet after the partial early repayment of the nominal amount is derecognized as a result of the change in the OCEANE agreement as described in paragraph 9.1.4 of the 2009 Reference Document.

This derecognition is made on the basis of the market value of OCEANE as of the completion date of the capital increase. There shall be an allocation of the market value of the OCEANE after partial repayment (reasoning by analogy with a buyback on the market) between debt and equity components based on market parameters existing at the date of derecognition (THEOLIA credit margin and prevailing market rates).

The impact on income and equity is then deducted by comparing the value of the debt component as recorded in the financial statements with the redemption value of the debt component (earnings impact) and the value of the equity component as recorded in the financial statements with the redemption value of the equity component (equity impact).

Recognition of debt relief for OCEANEs with modified terms

In accordance with IAS39.40, a new convertible instrument is recorded, giving rise to a new effective interest rate. The OCEANEs, with their new conditions, are recorded on the database market prevailing at the date of derecognition (debt ratio for THEOLIA same maturity as the new instrument and a non-convertible).

The division between the debt and equity components of the OCEANEs with their new conditions is made on the basis of the market value of the derecognized OCEANEs (see previous step) in the absence of a compensation balance paid/received between the counterparties. The debt component equals the current value of new cash flows from future contracts (after restructuring) discounted at the THEOLIA debt rate current at the derecognition date. The “equity” component is determined by deduction (difference between the fair value of the new instrument and the value assigned to the debt component).

The conversions that have occurred since the Restructuring amount to €20,972 K, thus lowering the bond issue at year’s end to €198,605 K. Interest accrued in 2010, which was recorded in an amount of €4,593 K, was paid in early January 2011.

With this financial restructuring, the risk of a request for early repayment by the bondholders no longer exists as of January 1, 2012. The deadline for bondholders to request repayment has been postponed to January 1, 2015.

The table below summarizes the impact of the Restructuring on the financial statements:

(in thousands of €)	**Debt**	**Deferred tax liability**	**Impact on income**	**Cash and cash equivalents**	**Shareholders' equity**
OCEANE debt as of July 21, 2010 (excluding accrued interest)	**219,733**	**6,755**	**-**	**-**	**-**
Capital increase	-	-		60,463	60,463
Partial repayment	(18,698)	-	(1,725)	(20,423)	(1,725)
Total derecognition	(201,035)	-	80,689	-	80,689
Costs related to restructuring (excluding capital increases)	-	-	(5,742)	(6,867)	(5,742)
Reversal of deferred tax liability (initial split accounting)	-	(6,755)	-	-	-
OCEANE re-recognition (new conditions)	120,346	33,074	-	-	-
Balance after derecognition	**120,346**	**33,074**	**73,222**	**33,173**	**133,685**

This recognition is demonstrated by a positive effect on earnings of €73,222 K.

The Effective Interest Rate (EIR) for this debt is 13.3%. On this basis, the equity component of the debt is zero. As a result, the whole of the convertible debt is allocated as financial debt.

The final assumptions used to calculate the split accounting are as follows:

- interest rate spread 1,134 bps
- bond price €10.43

The interest timetable based on the debt listed in the balance sheet is detailed below (assumption does not take into account any possible conversions):

year	Interest at rate of 2.70%	Interest at EIR	**additional interest of**
2 010*	2 395	6 457	4 062
2 011	5 362	15 001	9 639
2 012	5 377	16 327	10 950
2 013	5 362	17 737	12 375
2 014	5 362	19 058	13 696
	23 859	**74 580**	**50 721**

** starting July 20, 2010*

23.3 Covenants

Group financing falls into three categories:

- Group corporate debt: OCEANEs (convertible bonds);
- Germany corporate debt: this financing is backed by financial covenants relating in particular to compliance with the borrower's financial structure ratios (financial debt/equity or financial debt/EBITDA);
- project debt: this financing, which is related to the construction of wind farms (France, Germany, Italy, Morocco) is backed by financial covenants relating to compliance with cash flow ratios of Project Support Companies (cash generated from activities/debt servicing) and financial structure (debt/equity).

As of December 31, 2010, the Group had not complied with certain financial covenants required as part of the financing of wind power plant projects located in France:

- for farms operated in France by Centrale Éolienne de Seglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF), which represent a total bank debt of approximately €17 million, the minimum ratio of debt servicing coverage was not met due to exceptionally weak wind conditions in 2010. This event of default under the terms of the financing documentation was given a waiver granted on March 25, 2011;

- for parks operated in France by the Centrale Éolienne des Sablons (CESA), which represents bank debt of approximately €9.9 million euros, the minimum debt servicing coverage ratio was not met due to exceptionally weak wind conditions in 2010. This event of default under the terms of the financing documentation was given a waiver granted on March 25, 2011;

- for all wind farms in France except Corseol, insurance policies (broken machinery, business interruption and liability) have been optimized and amended without the prior consent of the lenders. The amount of bank debt associated with these projects is approximately €64.7 million. This event of default under the terms of the financing documentation was given a waiver for funding representing approximately €17 million (obtained October 31, 2010). For the balance, the obtaining of waivers is being processed on the basis of expert reports commissioned for banks indicating that the new policies are consistent with the documentation of credit. None of these debts has to date been published in a notice of default;

- for the wind farms operated in France by the Centrale Éolienne de Moulin de Froidure (CEMDF) and Centrale Éolienne de Sallen (CESAL), which represent total bank debt of approximately €23.0 million, the minimum debt servicing coverage ratio was not met due to exceptionally poor wind conditions in 2010. Lenders (Société Générale and GE Corporate Finance Bank at 50% each) were summoned in early January 2011 to waive this Event of Default and amend the documentation to restore the default ratio level in line with the market (1.25x in documentation for market levels of approximately 1.10x). Société Générale stated its agreement to the request for a waiver in terms of a "waiver fee" of 50 bps and satisfactory documentation regarding changes to be made by rider. The Group approved these conditions. On March 25, 2011, GE Corporate Finance Bank announced an additional request for a margin increase of 200 bps versus 100 bps in the current documentation. The Group considers these to be unreasonable terms and informed the lenders. This event of default is therefore not subject to a waiver. In any case, the early repayment of these loans may only be decided by a majority of two thirds of lenders.

The reason for the failures of financial covenants set forth above (except those pertaining to insurance) is based solely on the weak wind conditions during the previous year. These farms operate (maintenance cost, availability) according to projections.

On the date the accounts were produced, none of the project companies of the Group were the subject of an early repayment request due to a default declared by the lenders concerned.

For all cases where a waiver was not obtained before December 31, 2010, there was an accounting declassification to the current portion of liabilities involved in an amount of €41.15 million.

23.4 Analysis of borrowings by maturity

(in thousands of €)	< 3 months	> 3 months < 6 months	> 6 months < 9 months	> 9 months < 1 year	- 1 year	> 1 year < 5 years	> 5 years	Total 12/31/2010
Convertible bond	**4,593**	**-**	**-**	**-**	**4,593**	**112,913**	**-**	**117,506**
Revolving credit lines (corporate)	**1,626**	**10,000**	**-**	**-**	**11,626**	**-**	**-**	**11,626**
Project financing:	**58,454**	**2,122**	**7,528**	**2,173**	**70,277**	**66,259**	**73,961**	**210,497**
• France	43,575	384	386	390	44,735	6,868	12,394	*63,997*
• Italy	129	-	66	13	208	18,235	15,920	*34,362*
• Germany	14,749	708	7,076	708	23,242	41,156	45,647	*110,046*
• Morocco	-	1,029	-	1,063	2,092	-	-	*2,092*
Derivative financial instruments (hedging)	**5,956**	**-**	**-**	**-**	**5,956**	**-**	**-**	**5,956**
Overdrafts	**72**	**-**	**-**	**-**	**72**	**-**	**-**	**72**
Other financial debt	**156**	**-**	**-**	**-**	**156**	**2,293**	**-**	**2,449**
Total financial debt	**70,858**	**12,122**	**7,528**	**2,173**	**92,681**	**181,465**	**73,961**	**348,107**

- France 186,709 K€ (54% of overall debt)
- Germany 121,744 K€ (35% of overall debt)
- Italy 37,555 K€ (11% of overall debt)
- Morocco 2,092 K€ (<1% of overall debt)

The current portion of debt amounts to €92,681 K and breaks down primarily as follows:

- €40,151 K of debt related to financing several French wind farm projects that do not comply with certain financial covenants as of December 31, 2010. This accounting reclassification is made pursuant to IAS 1R.69. No lender has so far given notice of an early repayment of debt. The lenders have even renounced this right by waiver;
- €9,600 K of debt related to the financing of two wind farm projects in Germany, one being refinanced and the other in the process of being sold on December 31 and sold since then;
- €20,526 K corresponding to the current portion of long-term project debt;
- €11,626 K of corporate financing of THEOLIA Naturenergien activity;
- €4,593 K of Interest on OCEANEs payable in January 2011;
- €5,956 K for the fair value of interest rate hedging instruments.

23.5 Analysis of loan disbursements by maturity (principal + interest)

The table below shows financial debt according to the projected disbursement schedule (principal and interest) in the short term and medium/long term. The convertible bond issue is presented here based on projected disbursements according to the new OCEANE terms, assuming that no conversion takes place.

The yield curve at December 31, 2010 was used to calculate future interest. The debt presented below takes into account the obtaining of the waivers from the closing date to the financial statement preparation date.

(in thousands of €)	- 1 year	> 1 year < 5 years	> 5 years	Total 12/31/2010
Convertible bond	**4,593**	**181,036**	**-**	**185,629**
Revolving credit lines (corporate)	**11,824**	**-**	**-**	**11,824**
Project financing:	**77,881**	**88,108**	**115,253**	**281,241**
. France	46,180	14,371	19,275	*79,826*
. Italy	2,150	19,729	38,990	*60,868*
. Germany	27,357	54,007	56,988	*138,353*
. Morocco	2,194	-	-	*2,194*
Derivative financial instruments (hedging)	**2,195**	**3,508**	**115**	**5,818**
Overdrafts	**72**	**-**	**-**	**72**
Other financial debt	**156**	**2,293**	**-**	**2,449**
Total financial debt	**96,721**	**274,945**	**115,368**	**487,034**

The debt by current maturity is €96,721 K, of which €4,593 K is interest on the OCEANE payable in January 2011 and €11,824 K of Corporate Debt in Germany.

23.6 Analysis by type of rate

(in thousands of €)	12/31/2010	12/31/2009
. Fixed rate	**229,314**	**360,439**
. Variable rate	**118,793**	**130,042**
Total debt	**348,107**	**490,481**

Fixed rate borrowings concern for €117,506 K of the convertible bond issue recognized in the financial statements of the Group's parent company. The balance is for loans related to projects.

The variable rate borrowings concern for €10,000 K the corporate financing in Germany and project financing for the balance. These are backed by hedging instruments at 80% to 100%.

23.7 Derivatives

The Group's derivative financial instruments concern solely interest rate risk hedging tools (swaps, caps) and have as underlying assets variable rate borrowings (corporate or project). These derivatives are recognized at fair value as of December 31, 2010. Changes in fair value are recognized in the income statement.

The valuation of liability derivative financial instruments as of December 31, 2010 amounted to €5,956 K, an increase of €1,637 K compared to December 31, 2009.

24. Information on the fair value of financial instruments

The table below shows the book value on the balance sheet of assets and liabilities by accounting category defined in accordance with IAS 39, as well as their fair value.

12/31/2010	Accounting categories					Fair value		
(in thousands of €)	Assets (Liabilities) valued at fair value through profit and loss	Assets available for sale	Loans and borrowings	Liabilities at amortized cost	**Total of the net book value on the balance sheet**	Listed price	Internal model with measurable parameters	Internal model with non-measurable parameters
Unconsolidated equity interests		700			**700**			
Other non-current financial assets			9,899		**9,899**			
Deposits and guarantees			417		**417**			
Non-current financial assets	**-**	**700**	**10,316**	**-**	**11,016**	**-**	**-**	**-**
Trade receivables			30,834		**30,834**			
Financial current accounts - assets					**-**			
Cash equivalents	64,977				**64,977**	64,977		
Cash and cash equivalents			45,455		**45,455**			
Current share of financial assets			106		**106**			
Current financial assets	**64,977**	**-**	**76,395**	**-**	**141,372**	**64,977**	**-**	**-**
Total assets	**64,977**	**700**	**86,711**	**-**	**152,388**	**64,977**	**-**	**-**
Bond				112,913	**112,913**			
Other bank borrowings and financial debts				142,511	**142,511**			
Borrowings related to restatements of financial leases								
Non-current financial debts	**-**	**-**	**-**	**255,424**	**255,424**	**-**	**-**	**-**
Derivative instruments - liabilities	5,956				**5,956**		5,956	
Bond				4,593	**4,593**			
Other bank borrowings and financial debts				81,904	**81,904**			
Supplier liabilities				23,344	**23,344**			
Other current financial liabilities				11,955	**11,955**			
Financial current accounts - liabilities				158	**158**			
Bank overdrafts				72	**72**			
Current financial liabilities	**5,956**	**-**	**-**	**122,026**	**127,982**	**-**	**5,956**	**-**
Total liabilities	**5,956**	**-**	**-**	**377,450**	**383,406**	**-**	**5,956**	**-**

12/31/2009	Accounting categories					Fair value			
(in thousands of €)	Assets (Liabilities) valued at fair value through profit and loss	Assets available for sale	Loans and borrowings	Liabilities at amortized cost	**Total of the net book value on the balance sheet**		Listed price	Internal model with measurable parameters	Internal model with non-measurable parameters
Unconsolidated equity interests		927			**927**				**927**
Other non-current financial assets			8,529		**8,529**				**8,529**
Deposits and guarantees			411		**411**				**411**
Non-current financial assets	**-**	**927**	**8,940**	**-**	**9,867**	**-**	**-**	**-**	**9,867**
Derivative instruments - assets									**-**
Trade receivables			32,492		**32,492**				**32,492**
Financial current accounts - assets									
Cash equivalents	25,503				**25,503**	25,503			**25,503**
Cash and cash equivalents			68,684		**68,684**				**68,684**
Current share of financial assets			236		**236**				**236**
Current financial assets	**25,503**		**110,412**	**-**	**126,915**	**25,503**		**-**	**126,915**
Total assets	**25,503**	**927**	**110,352**	**-**	**136,782**	**25,503**			**136,782**
									-
Bond				213,929	**213,929**				**213,929**
Other bank borrowings and financial debts				152,250	**152,250**				**152,250**
Borrowings related to restatements of financial leases				-	**-**		-		**-**
Non-current financial debts	**-**	**-**	**-**	**366,179**	**366,179**	**-**	**-**	**-**	**366,179**
Derivative instruments - liabilities	4,318				**4,318**		4,318		**4,318**
Bond				4,800	**4,800**				**4,800**
Other bank borrowings and financial debts				114,961	**114,961**				**114,961**
Supplier liabilities				25,482	**25,482**				**25,482**
Other current financial liabilities				15,803	**15,803**				**15,803**
Financial current accounts - liabilities				151	**151**				**151**
Bank overdrafts				7	**7**				**7**
Current financial liabilities	**4,318**	**-**	**-**	**161,204**	**165,522**	**-**	**4,318**	**-**	**165,522**
Total liabilities	**4,318**	**-**	**-**	**527,383**	**531,701**	**25,503**	**4,318**	**-**	**531,701**

25. Management of risk related to financial instruments

25.1 Credit risk

Credit risk corresponds to the risk of default of a financial asset.

As part of its activities of electricity production using wind power, the Group sells the electricity it produces to distributors (such as EDF in France), usually via long term contracts (of 15 years or more). Although the Group considers that the risk of loss or insolvency of one of those retail customers is limited because most historic distributors are solidly established, the occurrence of such an event could have a material adverse effect on the business, financial position or results of the Group, or its ability to achieve its objectives.

As part of its sales activity for wind farms in operation, the Group has an expanded customer base composed of private or public, individual, industrial or financial purchasers. The Group is careful not to create or maintain dependence with regard to any one of them. This allows it to identify and better manage the exposure inherent in this activity. The sale of a farm may also be subject to a condition precedent of obtaining financing by the purchaser or keeping the funding in place.

The Group's main customers are purchasers of electricity generated by the Group in France, Germany, Italy and Morocco as well as purchasers of wind farms.

25.2 Liquidity risk

Liquidity risk corresponds to the Group's commitments to repay corporate debt (OCEANE and line of credit in Germany) and finance future needs (projects arising from development activity and general Group needs).

Liquidity risk is the risk that the Group might not be able to meet its obligations in time or under normal conditions. The Group's Finance Department is responsible for liquidity, financing and management of due dates. The Group manages the liquidity risk on a consolidated basis depending on operating needs.

The details of its debts are presented in Note 23. Some loan agreements contain clauses for early repayment in case of non-compliance with financial covenants (see Note 23)

Group financing falls into 3 categories:

- Group corporate debt: this corresponds to the OCEANE convertible bond issue, which includes maintaining control and listing the security (on the Euronext Eurolist market) of THEOLIA SA;
- Germany corporate debt: this type of financing is backed by financial covenants relating to compliance with the borrower's financial structuring ratios (financial debt/equity or financial debt/EBITDA);
- Project debt: financing related to the construction of wind farms (France, Germany, Italy, Morocco) is backed by financial covenants related to compliance with particular cash flow ratios (cash generated from operations/debt service) and financial structure (debt/equity).

Information on adherence to banking commitments as of December 31, 2010 appears in Note 23.

25.3 Foreign exchange risk

The Group has very little exposure to date to currency risk since the majority of its operations are conducted in the Euro zone (France, Germany and Italy in particular). Nevertheless, the Group is developing and making investments in some countries which entail it being exposed to a foreign exchange risk (Morocco, India and Brazil).

As of December 31, 2010, this risk is very low. It is partly controlled by managing expenditures and revenues in the currency of the relevant entity.

To date the Group's sensitivity to foreign exchange risk is insignificant and does not require the establishment of hedges for this risk.

As of December 31, 2010:

- 5.18%of assets were denominated in currencies other than the Euro;
- less than 1% of financial debt was denominated in currencies other than the Euro;
- 3.83% of revenue was denominated in currencies other than the Euro.

25.4 Interest rate risk and margin

The financing for wind projects implemented by the Group entails significant debt (of around 70 % to 90%) at both fixed and variable rates. A significant rise in interest rates and/or bank margins could have an impact on the profitability of the Group's future projects and/or the development of its wind portfolio.

To reduce the interest rate risk for the loan agreements in progress, the Group is implementing a policy of hedging interest rate risks with interest rate swaps. From an economic point of view, the implementation of these rate swaps allows variable rate loans to be converted into fixed rate loans and offer protection against a fluctuation in the amount of interest to be paid. In general, banks require hedging for 80 to 100% of the amount of financing over their lifetime.

In case of a positive variation of 1% in the interest rates, the financial expense related to the loans not covered would increase €513 K and be distributed as follows:

- loans France +€55 K
- loans Germany +€349 K
- loans Italy +€109 K

In order to limit the risk associated with bank margins, the Group pursues an active policy of managing its existing debt and organizes, for the establishment of new financing, competitions between various banks.

26. Deferred taxes

26.1 Proof of taxes

Name (in thousands of €)	**12/31/2010**	**12/31/2009**
Net consolidated income	**4,993**	**(25,176)**
Tax expense recognized	4,490	(2,520)
Equity-accounted companies share in net income	180	13,470
Taxes related to discontinued activities	(115)	(259)
Net consolidated income before tax	**9,548**	**(14,485)**
Applicable assumed tax rate	33,33%	33,33%
Assumed tax expense	(3,182)	4,828
Tax expense recognized (including discontinued activities)	(4,375)	2,779
Tax difference	**(1,192)**	**(2,049)**
Items of comparison:		
Permanent differences	213	(2,480)
Free shares (IFRS 2)	(342)	(313)
Dilution profit/Deconsolidation income	-	4,654
Tax credits	165	73
Withholding tax	(331)	-
Rate difference France /Foreign	(3,463)	30
Impairment	(3,669)	(811)
IDA impairment & and non-activated tax losses	6,750	(3,340)
Other	(516)	138
Total	**(1,192)**	**(2,049)**

26.2 Type of deferred assets

Assets

(in thousands of €)	12/31/2010	12/31/2009
Intangible assets	261	261
Property, plant & equipment	2,107	591
Eliminations of internal margins	1,250	1,331
Eliminations of internal disposals	3,129	3,129
Derogatory depreciation	(167)	-
Provisions for retirement commitments	30	21
Financial instruments	1,943	1,682
Deferred tax on losses	41,070	26,765
Other assets	4,391	1,034
Deferred tax asset/liability compensation	(23,867)	(26,671)
Total	**30,144**	**8,140**

Liabilities

(in thousands of €)	12/31/2010	12/31/2009
Intangible assets	13,552	11,654
Property, plant & equipment	7,121	11,327
Eliminations of internal margins	19	-
-Derogatory depreciation	15,998	17,338
Adjustment for amortization duration	2,803	645
Financial instruments	28,821	8,958
Other liabilities	(1,325)	(1,076)
Deferred tax asset/liability compensation	(23,867)	(26,671)
Total	**43,122**	**22,175**

26.3 Change in deferred taxes

(in thousands of €)	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Opening	**8,140**	**22,175**	**(14,035)**
Expenses/Income	19,274	22,614	(3,340)
Change in scope	(334)	(1,912)	1,578
Impact on reserves	3,052	245	2,807
Conversion losses/gains	13	-	13
Closing	**30,145**	**43,122**	**(12,977)**

26.4 Use of losses

(in thousands of €)	12/31/2009	New losses created	Other (of which impairment)	12/31/2010
Deferred tax actionable on losses	26,765	9,274	5,362	41,070
Unrecognized deferred tax	**26,765**	**9,274**	**5,362**	**41,070**

26.5 Tax assets not recognized

(in thousands of €)	31/12/2010	31/12/2009
No limit		(25,438)
Total	**-**	**(25,438)**

27. Provisions for employee benefits

27.1 Principal actuarial hypotheses

	12/31/2010	12/31/2009
Discount rate	4.68%	5.09%
Changes in Executive salaries	1.00%	1.00%
Changes in Non-executive salaries	1.00%	1.00%
Mortality table	INSEE 2009	INSEE 2008
Age of departure	65	65

It should be noted that actuarial differences are immaterial.

27.2 Components of the expense for the period

(in thousands of €)	12/31/2010	12/31/2009
Retirement expenses	53	22

27.3 Change in the provision

(in thousands of €)	12/31/2010	12/31/2009
Provision at opening	79	61
Annual expense	53	22
Reclassification of discontinued activity	-	(1)
Provision at closing	**129**	**79**

28. Other provisions

(in thousands of €)	Provision for litigation	Provisions for subsidiaries' risks	Other provisions	TOTAL
Values at opening on 1/1/2010	**2,198**	**9,629**	**2,611**	**14,438**
Increases	2,074	597	5,694	8,365
Reversals	(430)	(2,560)	(949)	(3,939)
Business combinations	-	-	(5)	(5)
Conversion losses/gains	1	-	11	12
Other changes	-	-	42	42
Values at closing at 12/31/2010	**3,843**	**7,666**	**7,404**	**18,913**
of which current part		597		597
of which non-current part	3,843	7,069	7,404	18,316

The Group is dealing with a number of disputes provisioned in the amount of €2,198 K as of the end of the year. During 2010, the allocations to provisions for disputes rose by €1,645 K and are mainly for:

- disputes related to non-wind activity (France) €832 K
- disputes over contracts at THEOLIA Naturenergien €987 K

THEOLIA recorded a provision during the year for an amount of €249 K corresponding to the contentious relationship with the Brazilian provider SOWITEC. The amount shown on the closing balance sheet corresponds to 50% of claims.

In the case of the dispute between THEOLIA the previous manager of the company Windream One, no significant event can be reported. For this reason, the Company continued the litigation provision of 354 K €.

Other litigation provisions of €208 K already on the opening balance sheet of THEOLIA were maintained. They correspond to various litigations regarding corporate law initiated against the Company. Two cases following layoffs are currently underway.

Provisions for risks on subsidiaries are listed below:

- that portion accounted for by the equity method of the Spanish company Asset Electrica, for €3,595 K;
- the risks on the current assets related to discontinued operations, for €3,474 K. This provision, which was created in 2009, has been reduced at the end of 2010 to €2,560 K to maintain the net assets of companies classified according to IFRS 5 in line with the expected resale value.

It is further stated that due to negative equity, the share of the company Asset Electrica accounted for by the equity method is also negative. In order not to note a negative value in investments in associates an equivalent provision was recorded since the group is committed to bridging the difference in value.

Other provisions, amounting to €7,402 K, rose sharply during the year. They break down as follows:

- in Germany, a provision of €4,700 K for future losses on some wind farm management agreements for third parties was created. Indeed, the analysis conducted by the Group showed that the level of production of the farms in question will most probably not be in line with the level of guaranteed income on these agreements. This provision will be repeated each year until the end of the term of the agreements in question to offset the negative margin;
- in France, the provision for non-recovery of tax the credit for investment, amounting to €1,411K, remains unchanged.

Other information

29. Related parties

29.1 Transactions with associated companies

Transactions with associated companies concern transactions with companies in which the Group exercises significant influence and which are accounted.
Transactions with associated companies are conducted based on the market price.

29.2 Transactions between the Group and directors

(in thousands of €)	**12/31/2010**	**12/31/2009**
Operating income		45,951
Operating expenses	900	(55)
	900	**45,896**

(in thousands of €)	**12/31/2010**	**12/31/2009**
Trade receivables		2,601
Operating losses		(1,164)
	-	**1,437**

Georgius Hersbach, Director of THEOLIA, signed a consulting services agreement under the terms of which the company Heartstream Corporate Finance BV offers consulting services in connection with Group's sale of a wind farm in Germany (expense of €900K in 2010). The remuneration terms were as follows: satisfactory performance bonus of 1.25% of the value of the wind farm sold. This contract expired on July 1, 2010.

Transactions for the year 2009 include transactions completed during the year with FC Holding of which Willi Balz was an executive. Willi Balz was a director of THEOLIA until October 20, 2009 (when his resignation was accepted).

Operating profit generated with FC Holding, in the amount of €42,177 K, was made in the ordinary course of the sale of wind farms in Germany and prior to the appointment of Willi Balz as a director of THEOLIA SA by the General Assembly meeting on June 11, 2009.

Prior to his appointment as director, Marc van't Noordende had a services agreement whereby Longview Management Services provided managerial transition services in the amount of €195 K for 2008 and €275 K for 2009. The contract expired on April 30, 2009.

29.3 Transactions between the Group and subsidiary directors

The Group granted to François Bouffard, Arnaud Guyot, and Cedric Saulnier de Saint Jouan, who held positions as Executive Vice Presidents within the Ventura Group subsidiary, a security (signed by THEOLIA France and THEOLIA SA) on September 16, 2009 until January 31, 2012 as guarantee for the amounts due to VOL-V for a total of €966 K.

29.4 *Executive compensation*

The compensation of executives with a technical function within the Company is broken down below.

(in thousands of €)	**12/31/2010**	**12/31/2009**
Salaries and wages	917	581
Share-based payments	553	676
Directors' fees	391	400
Other compensation	818	280
	2,679	**1,937**

The amount of directors' fees paid to members of the THEOLIA Board of Directors amounted to €391 K, as compared with €400 K in 2009.

The Group recorded an expense in 2010 related to share-based payments of €553 K of bonus shares to the corporate officers of THEOLIA SA.

Other compensation in 2010 included non-recurring expenses incurred in the first half and in 2009 the remuneration paid to the CEO as part of interim management.

30. Commitments

Potential commitments and liabilities

As part of its development/construction of wind farms, the Group generally establishes a subsidiary in each country where it is present. Where the Group is developing a wind project in a country, the relevant subsidiary is a Special purpose vehicle (SPV), which holds the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These hosting entities may be direct subsidiaries of the Company in certain jurisdictions, or indirect subsidiaries owned through intermediary holdings.

The Group cannot consolidate the assets and liabilities, or the income and expenditure of these subsidiaries in its consolidated financial statements if it notes an absence of control in terms of IFRS rules.

However, as a Group holding company, the Company may be liable to its lenders, suppliers and clients for providing credit, liquidity or other forms of support for its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the consolidated IFRS financial statements of the Group, these loans, liquidities or other types of support to deal with market risk do not appear in the consolidated balance sheet of the Group. Similarly, when a subsidiary is consolidated, certain forms of support do not appear on the Group consolidated balance sheet.

These off-balance sheet commitments include:

- letters of credit to guarantee working capital for subsidiaries;
- guarantees for suppliers of wind turbines;
- guarantees related to financing of subsidiaries developing wind projects;
- guarantees for repayment obligations of the purchase price to the customers;
- letters of comfort given to subsidiaries; and
- other commitments (direct agreements, etc.).

In addition, in some cases, non-consolidated entities may also supply credit, liquidity or other forms of support to the Group given the market risks which also constitute off-balance sheet commitments

The tables below offer a description of off-balance sheet commitments related to the scope of the consolidated Group, finance and operational activities of the Company and its subsidiaries as of December 31, 2010.

Off balance sheet commitments related to the scope of the Consolidated Group

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Guarantee	Ecoval Technology	BFCC	Security granted in 2005 for an aggregate maximum of €140 K. This security is now blocked in the amount of €111.1 K in the dispute with the Cabries treatment and drinking water plant.	n/a	0.1	**0.1**
TOTAL						**0.1**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Option to buy back shares sold	Thenergo	THEOLIA SA	On December 24, 2008, THEOLIA SA sold its entire stake in Thenergo (4,716,480 shares) to Hestiun SA for €15 million. THEOLIA retained the option to redeem these shares at the agreed price of 110% of the sale price no later than December 31, 2009 and 120% for the same price no later than December 31, 2010, which option it has not exercised.	December 31, 2010	n/a	**n/a**
TOTAL						**n/a**

Off balance sheet commitments related to the financing of the Company and its subsidiaries

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Pledging of bank accounts	THEOLIA Naturenergien GmbH	Banks	Pledging with various banks of a certain number of accounts opened on their books with a view to guaranteeing the costs which could arise in connection with dismantling various wind farms in Germany	Variable according to term of loan granted	7.9	**6.9**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Bank account pledge/ cash collateral agreements	SPVs France	Banks	Pledge to various banks for a certain number of accounts opened in their books	Variable according to term of loan granted	n/a	**3.7**
Pledge of SPV shares	SPVs	Credit institution or third parties (assignees)	Some Group companies – as detailed below – may have to grant pledges on their securities as part of the guarantees given to lenders.	Variable according to term of loan granted	74.7	**63.8**
TOTAL						**74.4**

Guarantees provided for financing of wind farms

The Group companies are required to give guarantees as part of the financing of wind farms by financial institutions or for the dismantling of wind turbines. These guarantees are pledges of shares in companies owning the wind generation projects for the duration of the long-term loan.

The following table presents details of the pledges of assets described above for the Group as of December 31, 2010:

Entity	Start date of pledge	Maturity date of pledge	amount of asset pledged in €K
France			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA	09/22/2006	04/30/2021	798
CESA	10/12/2006	12/31/2020	30
THEOWATT	06/21/2007	12/31/2023	40
CEPLO	06/21/2007	12/31/2022	184
CEMDF	06/21/2007	12/31/2022	56
CESAL	03/20/2008	12/31/2023	645
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
Italy			
Aerochetto Srl *	12/15/2009	06/30/2025	530
Vibinum Srl	12/24/2010	Variable	7,500
Garbino Eolica Srl (Pergola) *	07/10/2009	07/06/2011**	1,164
Germany			
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) *	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) *	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) *	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG *	06/26/2009	Variable	2,559
Total Group as of December 31, 2010			**63,781**

* *Pledges made to the assignee and not to the benefit of a financial institution*

** *Pledge extended from June 30, 2010 to July 6, 2011*

Off-balance sheet commitments related to operating activities of the Company and its subsidiaries

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Leasing agreement for registered office	THEOLIA SA	La Halte de Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the headquarters for a term of nine years from March 1, 2008 without the option of an early termination.	February 28, 2010	4.4	**2.9**
Liability use guarantees	Some Group companies	Purchasers	As part of the wind farm sales activities, the Group companies in France, Germany and Italy are required to give guarantees of assets and liabilities used for the benefit of purchasers for periods ranging from 18 to 36 months.	Variable (from 18 to 36 months)	n/a	**n/a**
TOTAL						**2.9**

Off-balance sheet commitments received

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Non-compete commitment	THEOLIA SA	THEOLIA SA	Commitment not to compete in the European territory for a period of 3 years made by Jean-Marie Santander as part of his departure from THEOLIA SA	September 29, 2011	n/a	**n/a**
Non-compete commitment	THEOLIA France SAS	THEOLIA France SAS	Commitment not to compete for a period of 3 years made by the Sellers in connection with the acquisition by THEOLIA France SAS of the corporate rights of Ventura SA	September 16, 2012	n/a	**n/a**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Non-poaching commitment	THEOLIA France SAS	THEOLIA France SAS	Non-poaching commitment for a period of 5 years granted by the Sellers in connection with the acquisition by THEOLIA France SAS of the corporate rights Ventura SA	September 16, 2014	n/a	**n/a**
Miscellaneous guarantees	Some Group companies	Some Group companies	As part of its operational activities for construction and operations, some Group companies are sometimes granted certain guarantees by some turbine manufacturers covering the proper operation of the farms and by some subcontractors of construction guarantees (down payment) or successful completion.	Variable	n/a	**n/a**
						n/a

31. Potential assets and liabilities

Windreich AG, represented by Willi Balz, began legal action against the Group demanding (i) commissions and (ii) compensation payments, under the terms of the services agreement for the sale of THEOLIA Naturenergien GmbH wind farms.
To date, the Group believes that it should not recognize a provision in response to that legal action.

32. Post-closing events

Securing of financing for the Gargouilles wind farm

At the end of January 2011, THEOLIA established the financing for its wind farm, Gargouilles. Located in the towns of Gommerville, Oysonville and Pussay, in the *Eure et Loire* region in France, this 18.4 MW wind farm entered the construction phase in September 2010. The commissioning is expected at the end of 2011.

Continuation of bond conversions

The Company has acknowledged, in February and March 2011, the conversion of 279,875 OCEANEs, creating 2,418,120 new shares.

Since July 20, 2010, the validity date for the change in the OCEANE terms, 1,381,945 OCEANEs have been converted, creating 11,939,136 new shares.

33. List of Group Companies

Companies	% interest	% control	Method of consolidation	Country	Activity
THEOLIA SA	100.00%	100.00%	Full consolidation	Parent	Holding company
THEOLIA DEUTSCHLAND GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA HOLDING Gmbh	100.00%	100.00%	Full consolidation	Germany	Development construction sale
THEOLIA NATURENERGIEN Gmbh	100.00%	100.00%	Full consolidation	Germany	Development construction sale
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development construction sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	48.00%	Equity method	Germany	Development construction sale
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development construction sale
WP TUCHEN RECKENTHIN INVESTITIONS GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WINDPARK RABENAU GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP MUEHLANGER GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATURSTROMNETZ FRAUENPRIESSNITZ GMBH & CO KG	43.81%	43.81%	Equity method	Germany	Sale of electricity
WINDHAGEN PROJEKT WALTROP Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDHAGEN PROJEKT KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ROTHENKOPF GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KEFENROD Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	52.00%	52.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFT KRUSEMARK GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-wind activities
ECOLUTIONS GMBH & CO KGaA	35.21%	35.21%	Equity method	Germany	Non-wind activities
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
SAS ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
THEOWATT SAS	100.00%	100.00%	Full consolidation	France	Corporate

SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development construction sale
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development construction sale
THEOLIA France SAS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL LES MONTS	100.00%	100.00%	Full consolidation	France	Development construction sale
LES 4E SARL	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development construction sale
Centrale éolienne Bois Des Plaines (CEBDP)	100.00%	100.00%	Full consolidation	France	Development construction sale
Centrale éolienne La Haute Borne (CEHAB)	100.00%	100.00%	Full consolidation	France	Development construction sale
CEBRE	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOLIENNE LES HAUTS VAUDOIS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOLIENNE DE CHEMIN PERRE	100.00%	100.00%	Full consolidation	France	Development construction sale
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN AR TRI MILIN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity
SNC VESAIGNES	100.00%	100.00%	Full consolidation	France	Sale of electricity
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT SAS	100.00%	100.00%	Full consolidation	France	Non-wind activities
THERBIO	99.99%	99.99%	Full consolidation	France	Non-wind activities
ECOVAL 30 SA	97.66%	97.67%	Full consolidation	France	Non-wind activities
WINDREAM ONE SARL	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT MAGHREB SA	100.00%	100.00%	Full consolidation	France	Non-wind activities

SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	51.00%	51.00%	Equity method	France	Non-wind activities
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Maestrale Green Energy Srl	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Maestrale Project Holding SA	50.32%	50.32%	Full consolidation	Italy	Development construction sale
Neo Anemos Srl (Martignano 21 MW)	47.81%	95.00%	Full consolidation	Italy	Development construction sale
MGE Giunchetto Wind Park SA	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development construction sale
GARBINO EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development construction sale
COLONNE D ERCOLE SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Aerochetto Srl (Giunchetto 29.75 MW)	51.00%	51.00%	Proportional consolidation	Italy	Sale of electricity
THEOLIA BRASIL	100.00%	100.00%	Full consolidation	Brazil	Development construction sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity method	Spain	Development construction sale
PESSA	100.00%	100.00%	Full consolidation	Spain	Development construction sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	80.00%	80.00%	Full consolidation	Greece	Development construction sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Greece	Development construction sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development construction sale
THEOLIA EMERGING MARKETS	99.99%	99.99%	Full consolidation	Morocco	Corporate
THEOLIA MAROC	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
TANGER MED WIND SA	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
THEOLIA MAROC SERVICES SA	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	23.88%	23.88%	Equity method	India	Development construction sale
THEOLIA WIND POWER PVT (INDIA)	23.88%	23.88%	Equity method	India	Development construction sale
THEOLIA CEE Gmbh	100.00%	100.00%	Full consolidation	Austria	Development construction sale

Companies removed from the scope of consolidation

Companies	% interest	% control	Method of consolidation	Country	Activity
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP Kreuzbuche Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development construction sale
MPH 1 SA	100.00%	100.00%	Full consolidation	Italy	Development construction sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development construction sale

Companies added to the scope of consolidation

Companies	% interest	% control	Method of consolidation	Country	Activity
WINDKRAFT ALSLEBEN 2 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
Windpark Wotan Vierzehnte Betriebs GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
Windkraft Dietlas GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDFARM HOXBERG GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
VIBINUM SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
GIUGGIANELLO SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
WIND SERVICES SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale

Merged companies

Companies	% interest	% control	Method of consolidation	Country	Activity
NEMEAU SAS	99.99%	100.00%	Full consolidation	France	Non-wind activities
CS2M	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAEE	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAPE	100.00%	100.00%	Full consolidation	France	Non-wind activities
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development construction sale

Statutory Auditors' Report
on the consolidated financial statements

Year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' Report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The Statutory Auditors' Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This Report also includes information relating to the specific verification of information given in the Management Report. This Report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying consolidated financial statements of THEOLIA;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

Without qualifying the above opinion, we draw your attention to Note 2 "General accounting principles" to the consolidated financial statements which sets out change in accounting policies resulting from the application, from January 1, 2010, of new standards, amendments and interpretations.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters :

- As indicated in note 2.5 "Intangible assets" of the notes to the consolidated financial statements, the Group recognizes as intangible assets the development costs of the various wind power station projects meeting the requirements of IFRSs as adopted in the European Union. We have examined the activity and profitability forecasts on which the appropriateness of this recognition method is based, the method used for determining their amortization and recoverable amount, and have verified that note 2.5 discloses appropriate information.
- At each year-end, the Group systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in note 2.8 "Impairment" of the notes to the consolidated financial statements. We have examined the methods implemented in this impairment test, and the cash flow forecasts and assumptions used, and have verified that note 2.8 discloses appropriate information.
- At each year-end, the group systematically reviews the receivables recoverable amount and determines whether there is a risk of non recoverability, as described in note 2.11 "Trade and other receivables". On the basis of the information made available to us, our work consisted in assessing the data and assumptions on which the recoverability is based and we have verified that note 2.11 to the consolidated financial statements discloses appropriate information.
- note 2.1 to the consolidated financial statements describes the restatement of comparative information for the year ended December 31, 2009 in accordance with IAS 8 – *Accounting policies, changes in accounting estimates and errors*. We examined the correct restatement of the financial statements and the related disclosures in the notes to the consolidated financial statements for the year ended December 31, 2010.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group Management Report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris and Marseille, April 28 2011

The statutory auditors

Cabinet Didier Kling & Associés		Deloitte & Associés
Didier KLING	Christophe BONTE	Christophe PERRAU

④ PARENT COMPANY FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010

BALANCE SHEET - ASSETS

French GAAP (in thousands of euros)	Notes	**Gross**	**Depreciation, amortization and provisions**	**Net as of 12/31/2010**	**Net as of 12/31/2009**
Fixed assets					
FIXED ASSETS					
Intangible assets	4.1				
Concessions, patents, licenses, trademarks, processes, software, rights and equivalent		227	(202)	25	8
Goodwill		500	-	500	500
Other intangible assets		3,832	(3,832)	-	-
Property, plant & equipment	4.2				
Buildings		513	(144)	370	427
Technical installations, equipment and industrial tooling		-	-	-	
Other property, plant & equipment		606	(417)	188	278
Financial assets	4.3				
Equity interests		334,742	(176,273)	158,469	226,067
Receivables from equity interests		210,721	(45,499)	165,223	157,569
Shareholder loans		17,955	-	17,955	31,459
Other financial assets		316	(10)	307	346
TOTAL (I)		**569,412**	**(226,376)**	**343,036**	**416,654**
CURRENT ASSETS					
Inventories	4.4				
Wind projects / Turbines		-	-	-	16,991
Receivables					
Trade and other receivables	4.5	20,352	(28)	20,324	18,639
Other receivables	4.6	7,635	(300)	7,335	11,175
Marketable securities	4.8				
Cash instruments		54,537	-	54,537	22,693
Cash and cash equivalents	4.8				
In bank		496		496	7,460
At hand		1		1	-
Prepaid expenses		208		208	575
TOTAL (II)		**83,229**	**(328)**	**82,900**	**77,534**
ADJUSTMENT ACCOUNTS:	4.9				
Deferred expenses (III)		-		-	3,790
Bond redemption premiums (IV)		-		-	(7,038)
Currency translation adjustment – asset (V)		6		6	-
GRAND TOTAL (I + II + III + IV + V)		**652,647**	**(226,704)**	**425,943**	**490,940**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

French GAAP (in thousands of euros)	Notes	**12/31/2010**	**12/31/2009**
SHAREHOLDERS' EQUITY			
Share capital	4.10	110,293	39,895
Additional paid-in capital		321,701	314,823
Retained earnings		(129,475)	(166,143)
Profit/(loss) for the period		(89,829)	36,668
SUBTOTAL: Net position		**212,691**	**225,244**
Regulated provisions		1,508	1,006
TOTAL (I)		**214,199**	**226,249**
PROVISIONS:	4.12		
Provisions for risks		2,051	131
Provisions for contingencies (lawsuits)		562	573
TOTAL (II)		**2,613**	**704**
LIABILITIES:	4.13		
Convertible bonds		203,197	244,800
Miscellaneous borrowings and financial debt		1,303	7,728
Operating liabilities:	4.14		
Trade payables		2,660	4,736
Tax and social liabilities		1,915	2,205
Miscellaneous liabilities:			
Other miscellaneous liabilities		43	4,484
ADJUSTMENT ACCOUNTS:			
Deferred income		**-**	**-**
TOTAL (III)		**209,119**	**263,954**
CURRENCY TRANSLATION ADJUSTMENT - LIABILITY (IV)		12	33
GRAND TOTAL (I + II + III + IV)		**425,943**	**490,940**

INCOME STATEMENT

French GAAP (in thousands of euros)	Notes	2010	2009	Change
Operating income	5.1			
Sales of goods held for resale		19,380	-	19,380
Production sold		5,539	6,118	(579)
Net revenue		**24,919**	**6,118**	**18,801**
Change in finished goods and in-progress inventory	5.2	(20,110)	-	(20,110)
Reversal of provisions (and amortization) and expense transfers	5.3	9,456	26,465	(17,009)
Other income	5.4	963	231	732
Total (I)		**15,227**	**32,814**	**(17,587)**
Operating expenses				
Purchases and changes in inventories		64		64
External expenses	5.5	13,891	5,703	8,188
Taxes and other similar contributions (excl. Corporation tax)		209	203	6
Salaries and wages	5.6	4,030	3,147	883
Payroll taxes and other personnel expenses	5.7	1,292	1,607	(315)
Amortization and provisions:				
For fixed assets: amortization		3,999	1,175	2,824
For fixed assets: provisions		-		
For inventory and current assets: provisions		28	901	(873)
For risks: provisions		2,051	-	2,051
Other expenses		452	1,215	(763)
Total (II)		**26,017**	**13,951**	**12,066**
OPERATING INCOME (I - II)		**(10,789)**	**18,863**	**(29,652)**
Financial income (III)		32,981	47,606	(14,625)
Financial expenses (IV)		112,462	47,452	65,010
FINANCIAL INCOME (III - IV)	5.9	**(79,481)**	**154**	**(79,635)**
CURRENT INCOME BEFORE TAX (I - II + III - IV)		**(90,270)**	**19,017**	**(109,287)**
Extraordinary income (V)		1,295	28,690	(27,395)
Extraordinary expenses (VI)		556	11,462	(10,905)
EXTRAORDINARY INCOME (V - VI)	5.10	**738**	**17,229**	**(16,490)**
CORPORATE TAX (VII)	5.11	**297**	**(422)**	**719**
TOTAL INCOME (I + III + V)		**49,504**	**109,110**	**(59,606)**
TOTAL EXPENSES (II + IV + VI + VIII)		**139,035**	**72,865**	**66,171**
PROFIT/(LOSS)		**(89,829)**	**36,667**	**(126,496)**

CASH FLOW STATEMENT

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Net profit/loss	**(89,829)**	**36,668**
Elimination of amortization, depreciation and provisions	84,414	8,777
Elimination of change in taxes	297	(422)
Elimination of capital gains (losses) from disposals	(24)	(18,145)
Other income & expenses (including dividends received)	2,645	1,296
Working capital from operations (A)	**(2,496)**	**28,174**
Income tax paid	-	-
Impact of the change in WCR related to business activity (B)	13,862	(32,615)
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**11,366**	**(4,441)**
Acquisition of fixed assets	(29,018)	38,169
Disposal of fixed assets	29	25
Dividends received	1,262	-
Change in loans	10,812	21,711
NET CASH FLOW ALLOCATED TO INVESTMENTS (b)	**(16,915)**	**16,484**
Capital increase	56,283	-
Proceeds from new loans	120	4,470
Repayment of loans	(21,012)	-
Interest paid	(4,961)	(100)
NET CASH FLOW ALLOCATED TO FINANCING (c)	**30,431**	**4,370**
Effect of changes in exchange rates		
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**24,883**	**16,413**
Cash and cash equivalent as of January 1	30,151	13,738
Cash and cash equivalents as of December 31	55,034	30,151
CHANGE IN CASH AND CASH EQUIVALENTS	**24,883**	**16,413**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

French GAAP (in thousands of euros)	Capital	Premiums	Profit/loss	Retained earnings	Provisions	Total share-holders' equity
AS OF 12/31/2008	**3,747**	**314,971**	**(163,011)**	**(3,132)**	**531**	**189,107**
Capital increase						-
Free shares	148	(148)				-
Convertible bonds						-
Excess tax depreciation over normal depreciation					474	474
Appropriation of earnings			163,011	(163,011)		-
Profit/loss for the period			36,668			36,668
AS OF 12/31/2009	**39,895**	**314,823**	**36,668**	**(166,143)**	**1,006**	**226,249**
Capital increase:	70,398	6,878				77,276
O.w.						
Free shares	*414*	*(414)*				-
Conversion of OCEANEs	*9,521*	*11,451*				20,972
Share subscription and related expenses	*60,463*	*(4,179)*				56,284
Merger		*21*				
Convertible bonds						-
Excess tax depreciation over normal depreciation					502	502
Appropriation of earnings			(36,668)	36,668		-
Profit/loss for the period			(89,829)			(89,829)
AS OF 12/31/2010	**110,293**	**321,701**	**(89,829)**	**(129,475)**	**1,508**	**214,199**

Notes to the annual financial statements

Notes to the balance sheet before the appropriation of December 31, 2010, totaling €425,943K and to the income statement for the period, presented in list form, showing a loss of (€89,829K).

The financial year, starting on January 1st, 2010 and ending on December 31, 2010, covers a period of 12 months.

The notes appearing below are an integral part of the annual financial statements.

These financial statements were approved for publication by the Company's Board of Directors on April 18, 2011.

1. ACCOUNTING RULES AND METHODS

The annual separate financial statements were prepared in accordance with French accounting principles (Regulation 99-03 CRC). The general accounting conventions were applied respecting the principle of prudence, in accordance with the following basic principles:

- Consistency of accounting methods from one financial year to the next;
- Matching principle;
- Historical cost; and
- Going concern.

THEOLIA continued its restructuring in 2010.

Restructuring intensified with the renegotiation of the convertible bonds and the capital increase in July. The success of this operation enabled the Company to strengthen its balance sheet. Debt was substantially reduced and the cash position improved.

Strict cash management and cost cutting became two areas of focus.

THEOLIA is working to build its future. The main goal is to operate as an integrated industrial group and to establish a profitable business model.

The Company is currently looking at co-investment opportunities to ensure its development over the medium-term.

Following the implementation of the financial restructuring plan, THEOLIA has sufficient working capital to meet its obligations and funding requirements and is thus in a position to ensure its continuation as a going concern.

The principal accounting methods used are listed below:

1.1 Intangible assets

Intangible assets are valued at the acquisition cost (purchase price and associated costs).
Software is amortized over a period of 12 months.

Brands are not amortized.

The Company does not carry on any research and development.

1.2 Property, plant & equipment

Property, plant & equipment are valued at the acquisition cost (purchase price and associated costs) or at the production cost.

Depreciation is calculated according to the straight line method based on the expected useful life:

• Building fixtures and improvements	10 years
• General facilities	5 years
• Office and computer equipment	3 and 4 years.

1.3 *Financial assets*

The gross value consists of the purchase price plus securities acquisitions costs. These costs are subject to excess tax depreciation over normal depreciation over 5 years.

The present value of equity interests is determined as follows:

- Listed securities: net asset value based on the market price as of December 31;
- Unlisted securities: the value is determined using different approaches including the discounted cash flow method (DCF).

Where the present value is below the net book value, an impairment is recognized for the difference.

Equity interests, treasury shares and marketable securities are measured using the “first in first out” (FIFO) method.

1.4 *Inventories*

Equipment inventories are valued at the purchase price plus acquisition costs.

When the estimated resale value is less than the book value, an impairment is recorded.

1.5 *Receivables*

Receivables are recognized at face value. An impairment is recorded when the recoverable amount is less than the net book value.

1.6 *Marketable securities*

Marketable securities, recorded at their purchase price, are valued at the end of the year at their likely resale value (market price). Where the book value exceeds the market value at year-end an impairment is recognized.

1.7 *Stock warrants*

Stock warrants (convertible to equity) are recognized upon subscription at the subscription price.

1.8 *Revenue recognition*

The Company’s revenue is primarily generated from services provided to support the Group of which it is the parent company.

2. KEY EVENTS OF THE PERIOD

Financial restructuring of the Company

On December 29, 2009, THEOLIA announced its restructuring plan for its bonds and its intention to increase its capital, with the goal of underpinning its development plans over the coming years.

The completion of this restructuring was subject to three conditions:

- approval of changes to terms and conditions of the bonds at the meeting of bondholders;
- approval, by the Extraordinary General Meeting of Shareholders, of the change to the terms and conditions of the bond issue; and
- the completion of a capital increase.

These three conditions were respectively met on February 18, March 19 and July 20, 2010, thereby ensuring the success of the Company's financial restructuring.

Provision of a fairness opinion by an independent financial expert

Ricol Lasteyrie is an independent firm of financial experts appointed by the Board of Directors to review the financial terms and conditions of the proposed OCEANE restructuring plan and to assess its fairness to both shareholders and bondholders.

In January 2010, Ricol Lasteyrie published its final report, which concluded that the proposed financial restructuring was fair and confirmed that the plan was in the interests of all parties concerned, including THEOLIA, its shareholders and bondholders.

General Meetings of Bondholders and Shareholders

On February 18, 2010, all those in attendance and represented at the General Meeting of Bondholders unanimously voted in favor of the proposed restructuring.

On March 19, 2010, the Ordinary and Extraordinary General Meeting of Shareholders voted by over 99% in favor of all the resolutions associated with the proposed restructuring plan.

Capital increase

On June 24, 2010, the Company carried out a €60,463,059 capital increase, maintaining the pre-emptive subscription rights of existing shareholders. Subscription ran from June 25 to July 7, 2010 inclusive. The capital increase was fully subscribed. THEOLIA issued 60,463,059 new ordinary shares at a unit price of €1 each, with the gross proceeds amounting to €60,463,059.

The success of the capital increase completed the Company's financial restructuring.

The new OCEANE terms and conditions of issue (the details can be found in the analysis of borrowings and financial debt, Note 4.13.) became effective upon settlement of the capital increase on July 20, 2010.

This financial restructuring enabled THEOLIA to significantly improve its financial position by increasing shareholders' equity, improving its cash position and reducing its debt, and thereby giving renewed momentum to its development.

External expenses directly attributable to the capital increase, amounting to €4,179K, were deducted from the issue premium upon completion.

Total fees of €5,462K were incurred in relation to the plan for the financial restructuring of the convertible bonds.

Conversion of bonds into shares

The financial restructuring amended the OCEANE terms and conditions and in particular introduced a new conversion ratio by virtue of which a bondholder may convert a bond into 8.64 shares up to the 7th business day prior to December 31, 2013 and convert a bond into 6.91 shares from January 1, 2014 to the 7th business day prior to December 31, 2014.

Between July 20, 2010, the date on which the new OCEANE terms and conditions became effective, and December 31, 2010, 1,102,070 OCEANEs were thereby converted, resulting in the creation of 9,521,016 new shares.

The conversion of these 1,102,070 OCEANEs into shares reduced the maximum amount to be repaid in the event of redemption on January 1, 2015 by €16.9m.

Acquisition and transfer of interests

Equity interests in ecolutions GmbH & Co. KGaA

On January 20, 2010, THEOLIA bought out the equity interests in the German company ecolutions GmbH & Co. KGaA held by its subsidiary THEOLIA Emerging Markets (TEM). The purchase was paid for by offsetting the €25m shareholder loan extended by THEOLIA to TEM in late 2007. Given TEM's financial position, THEOLIA wrote off the €2,710K owed to it in interest on the loan with no impact on the 2010 income statement, since it had been fully written down as of December 31, 2009.

At year end, €15,282K in impairment was recognized with respect to the ecolutions equity interests to reflect the recoverable amount of the assets acquired.

Equity interests in THEOLIA Emerging Markets

In July 2010, the Company bought out the shares in THEOLIA Emerging Markets held by the former Chief Executive Officer, Mohamed Habbal, for €90K, thereby taking its interest from 95% to 100%.

Equity interests in Seres Environnement

In June 2010, Ecoval Technology sold its Seres Environnement equity interests to THEOLIA for €1. Following a capital increase involving the conversion of a loan, the value of these securities amounted to €3,507K. This transfer is part of the restructuring of non-wind assets undertaken since 2008 by THEOLIA.

Transfer of all assets and liabilities

With a view to a winding up, the Nemeau equity interests, previously held by Therbio, were transferred to THEOLIA during the year.

In late 2010, as the Nemeau and CS2M subsidiaries (company that took over SAPE and SAEE) no longer had any assets they were wound up by means of the transfer of all their assets and liabilities subject to the ordinary tax regime.

Sale of turbines

In late December 2010, THEOLIA sold to its Italian subsidiary Neoanemos the Suzlon branded wind turbines held in the Company's inventory at a historical cost of €19,380K.

The turbine purchase agreement initially entered into by Neoanemos was taken over by THEOLIA in 2008. The asset had been the subject of €3,119K in impairment, wholly reversed upon completion of the sale this year.

This deal enabled Neoanemos to recognize on its balance sheet the turbines to be used in the construction of its future Martignano wind farm. All turbine-related agreements (rental and storage site security, insurance and wind turbine maintenance) will also be transferred to the Italian subsidiary.

3. EVENTS AFTER THE REPORTING PERIOD

Further bond conversions

The Company recorded, in February and March 2011, the conversion of 279,875 OCEANEs, resulting in the creation of 2,418,120 new shares.

Since July 20, 2010, the date on which the new OCEANE terms and conditions became effective, 1,381,945 OCEANEs have been converted, resulting in the creation of 11,939,136 new shares.

4. ANALYSIS OF THE PRINCIPAL BALANCE SHEET ITEMS

4.1 Intangible assets

French GAAP (in thousands of euros)	Values at start of period 01/01/2010	Increases	Decreases	Values at end of the period 12/31/2010
Gross intangible assets				
Software	682	45	-	727
Other intangible assets	3,832	-	-	3,832
Total gross values	**4,514**	**45**	**-**	**4,559**
D&A/impairment of intangible assets				
Software	174	29	-	202
Other intangible assets	3,832	-	-	3,832
Total amortization	**4,006**	**29**	**-**	**4,034**
Net intangible assets				
Software	508	17	-	525
Other intangible assets		-	-	-
Total net values	**508**	**17**	**-**	**525**

4.2 Property, plant & equipment

French GAAP (in thousands of euros)	Values at start of period 01/01/2010	Increases	Decreases	Values at end of the period 12/31/2010
Gross property, plant & equipment				
Fixtures on land belonging to others	513	-	-	513
Other property, plant & equipment	590	37	21	606
Total gross values	**1,103**	**37**	**21**	**1,119**
D&A/Impairments of property, plant & equipment				
Fixtures on land belonging to others	87	57	-	144
Other property, plant & equipment	312	124	19	417
Total amortization	**398**	**181**	**19**	**561**
Net property, plant & equipment				
Fixtures on land belonging to others	427	(57)	-	370
Other property, plant & equipment	278	(87)	3	188
Total net values	**705**	**(144)**	**3**	**558**

Property, plant and equipment refer mainly to the office fixtures installed in the first quarter of 2008, and to furnishings and computer hardware.

4.3 Financial assets

French GAAP (in thousands of euros)	Values at start of period 01/01/2010	Increases	Decreases	Values at end of the period 12/31/2010
Gross financial assets				
Equity interests	309,020	28,654	,932	334,742
Receivables from equity interests	197,032	54,983	41,294	210,721
Shareholder loans	44,819	846	27,710	17,955
Treasury shares	299	-	65	233
Other financial assets	92	-	10	82
Total gross values	**551,262**	**84,484**	**72,011**	**563,734**

Acquisition of equity interests

During the year, the Company made the following acquisitions totaling €28.654m:

- Purchase of ecolutions shares held by TEM (including expenses) €25,057K
- Purchase of TEM shares held by Mohamed Habbal €90K
- Purchase of Seres shares and capitalization of a portion of the current account €3,507K

Disposal of equity interests

In 2010, THEOLIA took over the companies listed below by means of the transfer of all assets and liabilities:

- CS2M sub-group (SAPE, SAEE holding companies)
- Nemeau

The shares recognized for a total of €2,932K had been the subject of €2,916K in impairment.

The former transaction resulted in a gain on cancelled shares of €166K. €145K of this gain was recognized under financial income, up to the amount of income retained by the company taken over and not distributed. The residual amount of €21K was allocated to shareholders' equity, under "Merger premium".

The loss on cancelled shares generated following the Nemeau merger amounted to €248K, recognized in full under financial expenses.

Changes in receivables from equity interests

The higher amount of receivables was mainly due to the cash advances provided by THEOLIA to the various subsidiaries:

- THEOLIA France (France) €17,491K
- THEOLIA Holding GmbH (Germany) €14,893K
- Maestrale Green Energy (Italy) €7,091K
- Seres Environnement (France) €2,244K

Furthermore, the intra-group trade debtors in the year-end balance sheet were reclassified under receivables from equity interests at the start of 2010.

As part of the Group cash pooling agreement, various subsidiaries made repayments during the year that are presented on the reduction in receivables from equity interests line:

- Maestrale Green Energy Guinchetto (Italy) €14,594K
- THEOLIA Holding GmbH (Germany) €7,309K
- THEOLIA France (France) €2,001K

Shareholder loans

Shareholder loans were down substantially. This reduction was mainly due to the offsetting of the €25m loan extended to THEOLIA Emerging Markets in consideration for the ecolutions shares acquired by THEOLIA. The €2,710K in capitalized interest was written off.

Breakdown of impairment on financial assets

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Reversals**	**Values at end of the period 12/31/2010**
Impairment of financial assets				
Equity interests	82,953	96,636	399	179,189
Equity interests within the context of the transfer of all assets and liabilities*	-	-	2,916	(2,916)
Receivables from equity interests	39,463	7,931	1,896	4,499
Shareholder loans	13,359	-	13,359	-
Treasury shares	45	10	45	10
Other financial assets	-	-	-	-
Total impairment	**135,820**	**104,576**	**18,615**	**221,781**

The change in allocations for impairment of financial assets is discussed in further detail in the analysis of the principal line items in the income statement, Note 5.9.

*The difference between the net book value and the reversal of impairment on shares in CS2M, the company taken over by means of the transfer of all assets and liabilities, is included in the other financial income line item in the income statement.

Breakdown of net financial asset values

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Decreases**	**Net impairment**	**Values at end of the period 12/31/2010**
Net financial assets					
Equity interests	22,067	28,654	2,932	93,320	158,469
Receivables from equity interests	157,569	54,983	41,294	6,036	165,223
Shareholder loans	31,460	846	27,710	(13,359)	17,955
Treasury shares	254	-	65	(35)	224
Other financial assets	92	-	10	-	82
Total net values	**415,442**	**84,484**	**72,011**	**85,961**	**341,953**

Breakdown of receivables from financial assets by maturity

12/31/2010 *(in thousands of euros)*	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Receivables from equity interests	-	-	165,223	165,223
Shareholder loans	-	-	17,955	17,955
Other financial assets	224	83	-	307
Total receivables from financial assets	**224**	**83**	**183,177**	**183,484**

12/31/2009 *(in thousands of euros)*	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables from equity interests			157,569	157,569
Shareholder loans			31,459	31,459
Other financial assets	253	92		346
Total receivables from financial assets	**253**	**92**	**189,028**	**189,374**

The breakdown of the impairment of equity interests at year-end can be found in Note 9.

Year-end breakdown of impairment on receivables from equity interests

French GAAP (in thousands of euros)

	Impairment of receivables from equity interests
France sub-group	2,065
Environmental Unit sub-group	18,972
Centrale Eolienne Fruges La Palette	63
THEOLIA Participations	12,276
Windream One	686
THEOLIA Iberica	9,880
THEOLIA Grèce	506
THEOLIA CEE	270
THEOLIA Emerging Markets	780
TOTAL	**45,499**

Breakdown of net receivables from equity interests (advances to direct or indirect subsidiaries)

French GAAP (in thousands of euros)	Net values at year end 12/31/2010
THEOLIA France	75,355
THEOLIA France sub-group	5,059
Maestrale Green Energy	29,883
Italy sub-group	12,621
THEOLIA Holding GmbH	37,029
THEOLIA Brasil	2,805
THEOLIA Emerging Markets	93
CED	379
THEOLIA Wind Power	2,000
TOTAL	**165,223**

Treasury shares

The shares held by the Company in connection with a liquidity contract with the investment services provider Oddo are classified as non-current securities and recognized at acquisition cost and then subsequently measured on the basis of the market price at the end of each period. Impairment is recognized where the stock market value is below the book value.

Oddo bought and sold shares during the year.

The contract was put on hold during the capital increase subscription period. During this period, THEOLIA sold 93,420 subscription rights corresponding to the number of shares remaining prior to the start of the subscription period. A total of €20,300 in subscription rights were sold.

At the end of the year, the company owns 190,396 of its treasury shares as of the December 31, 2010 trading date, and 191,396 of its treasury shares on the settlement date of December 31, 2010 (accounting date).

The balance sheet amount was €233K, representing an average share price of €1.22 compared to a share price of €1.17 as of December 31, 2010. At year-end, the Company had recognized €9.5K in impairment.

4.4. Inventories

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Acquisitions**	**Disposals**	**Values at end of the period 12/31/2010**
Turbines	20,110	-	20,110	-
Impairment	(3,119)	**-**	(3,119)	-
NET TOTAL	**16,991**	-	**16,991**	**-**

The turbine inventory held for the future Neoanemos wind farm was sold on December 31, 2010.

This equipment, bought in Italy by THEOLIA in the first half of 2008, was sold on to the Italian subsidiary Neoanemos for the contractual historical cost value of €19,380K.

The €3,119K in impairment recognized in 2008 was wholly reversed.

4.5 Trade and other receivables

French GAAP (in thousands of euros)	**Gross value 12/31/2010**	**Impairment 12/31/2010**	**Net value 12/31/2010**	**Net value 12/31/2009**	**Incl. value of associates as of 12/31/2010**	**Incl. value of associates as of 12/31/2009**
Non-group trade receivables	37	(28)	8	30	-	-
Total non-group receivables	***37***	**-**	***8***	***30***	**-**	**-**
Group trade receivables	20,316		20,316	18,609	20,316	18,609
Total Group receivables	***20,316***	**-**	***20,316***	***18,609***	***20,316***	***18,609***
TOTAL Trade and other receivables	**20,352**	**(28)**	**20,324**	**18,639**	**20,316**	**18,609**

4.6 Other receivables

French GAAP (in thousands of euros)	Gross value 12/31/2010	Impairment 12/31/2010	Net value 12/31/2010	Net value 12/31/2009	Incl. value of associates as of 12/31/2010	Incl. value of associates as of 12/31/2009
Supplier advances and installments	4,838	-	4,838	4,042	808	-
Receivables on asset disposals	-	-	-	17	-	-
Tax receivables (excluding corp. tax)	862	-	862	4,876	-	-
Corporate tax receivables	328	-	328	104	-	-
Soc. security receivables	5	-	5	8	-	-
Current accounts	1,133	-	1,133	2,168	1,133	2,168
Receivables from suppliers and other	469	(300)	169	65	-	3
Prepaid expenses	208	-	208	575	-	-
Currency translation adjustment, asset	6	-	6	-	-	-
TOTAL	**7,849**	**(300)**	**7,549**	**11,855**	**1,941**	**2,171**

At December 31, 2010, only the Niltech receivable (provisions funded in 2008) representing a total of €300K was in the impairment of other receivables line item.

The €4m down-payment made to the turbine manufacturer Siemens in 2008, included in the “Supplier advances and installments” line item, will shortly be allocated to the Pergola Italian project. Negotiations are underway with the turbine manufacturer, and the down-payment will be allocated to this project once the financing agreements are signed.

4.7 Receivables by maturity

French GAAP (in thousands of euros)

12/31/2010	Less than 1 year	1 to 5 years	Total
Receivables from current assets (net)			
Trade and other receivables	944	19,380	20,324
Soc. security receivables	5	-	5
Tax receivables (excluding corp. tax)	862	-	862
Corporate tax receivables	328	-	328
Supplier advances and installments	838	4,000	4,838
Current accounts	1,133	-	1,133
Receivables from suppliers and other	169	-	169
Prepaid expenses	208	-	208
Currency translation adjustment, asset	6	-	6
TOTAL	**4,493**	**23,380**	**27,873**

The schedule of current receivables includes their net values at the closing date.

The agreement to sell the Suzlon turbines to the Italian subsidiary Neoanemos includes a transfer of title provision. THEOLIA will retain ownership of these assets until the purchase price has been paid in full.

Because of this, the Company recognizes this receivable as a medium-term asset.

4.8 Cash and cash equivalents

French GAAP (in thousands of euros)	12/31/2010	12/31/2009
Marketable securities (net)	54,537	22,693
Cash and cash equivalents	496	7,461
TOTAL	**55,034**	**30,154**

At year-end, marketable securities amounted to €54,537K. This line item was comprised of the following instruments:

- Money market funds: €51,522K;
- Term accounts: €3,000K;
- Accrued interest on term accounts: €15K.

4.9 Accruals

The costs incurred on the bond issue in 2007 (see Note 4.13 principal characteristics) are amortized on a straight line basis over the maturity of the bonds.

Following the restructuring of the OCEANEs, the residual balance at December 31, 2009, namely €3,790K, was fully amortized on July 20, 2010.

The non-conversion premium on the bonds, representing a cumulative amount of €7,038K, was wholly reversed as part of the restructuring (see Note 5.9).

4.10 Share capital

	Par value (€)	Number of shares at 01/01/2010	Shares issued (cash)	Creation of shares by means of OCEANE conversion	Free shares created after the end of the allotment period	Number of shares at 12/31/2010
Number of shares	1	39,895,207	60,463,059	9,521,016	413,500	110,292,782
Number of securities	**1**	**39,895,207**	**60,463,059**	**9,521,016**	**413,500**	**110,292,782**
Share capital		**39,895,207**	**60,463,059**	**9,521,016**	**413,500**	**110,292,782**
Including 190,396 treasury shares						

At the start of the year, the free shares awarded in 2008 vested for €414K.

Following the capital increase completed in July 2010 by means of the creation of 60,463,059 new shares with a par value of €1, THEOLIA's share capital stood at €100,772K.

The OCEANE conversions carried out following this transaction increased the capital by €9,521K.

At year-end, the Company's share capital thus stood at €110,293K.

4.11 Stock warrants

Summary of changes in stock warrants

	Total stock warrants
Stock warrants not exercisable as of December 31, 2009	3,922,650
Balance as of December 31, 2009	**3,922,650**
Awarded during the year	-
Cancelled during the year	360,544
Exercised during the year	-
BALANCE AS OF DECEMBER 31, 2010	**3,562,106**

The beneficiaries of the stock warrants issued are mainly:

- a company controlled by George Hersbach, a Company director;
- a corporate shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo;
- the former Chairman and Chief Executive Officer of the Company;
- a former director of the Company; and
- a former shareholder of the Company.

No stock warrants were exercised in 2010.

Following the capital increase and the resulting dilution, the conversion ratio of the outstanding stock warrants was changed. It stood at 1,132 at December 31, 2010.

4.12 Provisions

French GAAP (in thousands of euros)	**Provision for risks**	**Provision for contingencies**	**Total**
Values at opening at 01/01/2010	131	573	704
Increases	2,051	-	2,051
Reversals	131	11	141
Values at closing at 12/31/2010	**2,051**	**562**	**2,613**

The balance sheet item "Provision for risks and contingencies" stood at €2,613K and reflected the following:

Provisions for risks: €2,051K:

- At year-end, the Company passed a provision for risk with respect to a lawsuit between the French subsidiary Ecoval Technology and the Cabriès town hall;
- During the year, THEOLIA provisioned for risk with respect to a dispute with the Brazilian service provider SOWITEC; and
- The provision for risk relating to an out of court claim by the Greek developer ECOSUN was transferred to the German subsidiary THEOLIA Naturenergien GmbH.

Provisions for contingencies: €562K

In the dispute between THEOLIA and the former manager of Windream One, there is nothing significant to report. For this reason, the Company has made no change to the €354K provision for contingencies.

The €208K in provisions for contingencies encompassing a number of different labor law suits brought against the company and already included in THEOLIA's opening balance sheet, is unchanged. Two disputes resulting from the dismissals are currently in progress.

4.13 Borrowings and financial debt

French GAAP (in thousands of euros)	**Convertible bonds**	**Bank overdrafts and equivalent**	**Other financial debt**	**Total**
Values at opening at 01/01/2010	**240,000**		**4,803**	**244,803**
Repayment	41,395			41,395
OCEANE early redemption	*20,423*			
Conversion of OCEANEs	*20,972*			
Other changes			(210)	(210)
Values at closing at 12/31/2010	**198,605**		**4,593**	**203,197**

At year-end, borrowings and financial debt were wholly comprised of OCEANEs issued in October 2007.

The July 20, 2010 capital increase enabled the partial redemption of bonds with a face value of €20,423K.

Conversions that have occurred since the restructuring total €20,972K, reducing bonds outstanding at the year-end to €198,605K.

Accrued interest for 2010, recognized for a total of €4,593K under "Other financial debt", was paid in early January 2011.

Following this financial restructuring, there is no longer any risk of early redemption by bondholders as of January 1, 2012. The due date enabling bondholders to request early redemption has been pushed back to January 1, 2015.

The new OCEANE terms and conditions became effective on July 20, 2010, the date of the capital increase. The new conversion ratio became effective on July 21, 2010.

At year-end, the principal characteristics of the bonds following the changes to the OCEANE terms and conditions of issue were as follows:

- Type of financial instrument — OCEANE (convertible bonds)
- Number of bonds — 10,436,392
- Initial face value — €240m
- New face value at 07/21/2010 — €219,577K
- Amount of bonds outstanding at 12/31/2010 — €198,605K
- Maturity date of the bonds — January 1, 2041
- Annual interest up to December 31, 2014 — 2.70%
- Annual interest from January 1, 2015 — 0.10%
- Conversion ratio to
- 7th business day prior to December 31, 2013 — 8.64 shares per OCEANE
- Conversion ratio to
- 7th business day prior to December 31, 2014 — 6.91 shares per OCEANE
- OCEANE redemption price at January 1, 2015 — €15.29 per OCEANE
- OCEANE redemption price at January 1, 2041 — €20.77 per OCEANE

Full details can be found in the AMF-approved securities note issued on June 23, 2010.

Breakdown by due date

French GAAP (in thousands of euros)

12/31/2010	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Convertible bonds			198,605	
Other financial debt	4,593			
TOTAL	**4,593**	**-**	**198,605**	**203,197**

4.14 Other liabilities

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Suppliers	2,660	4,736
Other	43	4,484
TOTAL	**2,703**	**9,220**

	12/31/2010	**12/31/2009**
Soc. security liabilities	1,745	1,179
Tax liabilities	170	1,027
TOTAL	**1,915**	**2,206**

On March 11, 2011, THEOLIA signed a negotiated settlement agreement with former executives Marc van't Noordende and Olivier Dubois, thereby ending the legal proceedings initiated in February 2010 following their removal from office.

The Company cancelled the provision for contingencies, funded in June 2010, and recognized the outstanding settlement amount of €1,373K under social liabilities (including employer contributions). The indemnity payable under the agreement represents compensation for the damage suffered.

Marc van't Noordende and Olivier Dubois thereby relinquish their claims for damages, the non-compete indemnity, variable compensation for 2009, free share grant, including the anti-dilution provision, and under Article 700 of the French Code of Civil Procedure.

Breakdown by due date

French GAAP (in thousands of euros)

12/31/2010		**Less than 1 year**
Trade and related payables		2,660
Soc. security and tax liabilities		
	Personnel	*1,299*
	Social security bodies	*446*
	Govt. sales tax	*2*
	Other tax and soc. security liabilities	168
Other liabilities		43
TOTAL		**4,618**

4.15 Tax consolidation

THEOLIA has opted for tax consolidation since July 1, 2004. In this respect, it alone is liable for the corporate tax for all the companies that are members of the tax group.

The tax consolidation convention stipulates that the parent company recognizes as income the sums paid by the subsidiaries for their taxes as if they were separately liable.

At the end of the year, the tax consolidation scope comprised the following companies:

- THEOLIA Participation
- THEOLIA France
- THERBIO
- Ecoval 30
- Ecoval Technology
- Seres Environnement
- Royal Wind
- CEFF
- CESAM
- CESA
- CECOS

Group tax loss carryforwards amounted to €101,080K.

5. ANALYSIS OF THE PRINCIPAL ITEMS ON THE INCOME STATEMENT

5.1 Revenues

In 2010 net revenue totaled €24,919K, compared to €6,118K the previous year. It consists of group expenses re-invoiced to subsidiaries for €5,539K plus the sale of the turbine inventory to the Italian subsidiary Neoanemos for €19,380K.

5.2 Reduction in inventory

Following the sale of the turbines to the Italian subsidiary Neoanemos, appearing under the "Inventories" heading since 2008, THEOLIA recognized a reduction in inventory from the initial amount of €20,110K. This amount corresponds to the historical cost of the wind turbines of €19,380K as well as their ancillary expenses.

5.3 Reversal of operating provisions and expense transfers

The €4,324K in expense transfers break down as follows:

- Capital increase expenses €4,179K
- Insurance refunds €63K
- Acquisition costs on the purchase of ecolutions shares €57K
- Personnel expenses €24K
- Other €1K

Operating provision reversals mainly relate to the reduction in group trade debtors, which were reclassified under receivables from equity interests.

5.4 Other income

Other income totaling €963K corresponds principally to the re-invoicing to a subsidiary of work paid on its behalf.

The significant increase in this line item is related to the commission on the sale of the Alsleben wind farm in Germany. The expenses associated with this sale were re-invoiced to the German subsidiary THEOLIA Naturenergien GmbH.

5.5 External purchases and expenses

The sharp increase in the "External expenses" line item was primarily due to the financial restructuring carried out in 2010. This line item includes:

- the expenses directly associated with this restructuring of €5,462K; and
- the fees paid to external consultants due to the exceptional circumstances faced by THEOLIA in the first half of 2010.

However, the Company's recurring operating costs continued to fall. This decline in "Other external purchases and expenses" reflects the continuation of the cost reduction plan, begun in 2009.

5.6 Salaries and wages

Total compensation paid to corporate officers in 2010 was €1,659K and breaks down as follows:

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Gross salaries (inc. bonuses)	920	452
Severance / negotiated termination payments	322	-
Benefits in kind	26	135
Fees, General administration	-	275
Directors' fees	391	400
TOTAL	**1,659**	**1,263**

In 2010, this line item shows a significant increase related to the exceptional nature of compensation paid with Company executives succeeding each other during the first half of 2010:

- One-off assignment designed to provide special support to the Chairman and Chief Executive Officer €40K;
- Variable compensation of €100K;
- Success bonus associated with the capital increase: €228K;
- Signing bonus: €93K;
- Severance and negotiated termination payments: €322K.

In addition, a negotiated settlement agreement was signed in March 2011 by THEOLIA and its former executives.

The negotiated severance settlement agreed to cover damages suffered does not constitute compensation. A deferred expense of €999K (not including social charges) was accordingly recognized under the "Salaries and wages" line item and this brings an end to the dispute between the Company and these former executives.

Finally, the compensation of THEOLIA SA staff (not including officers and transactional indemnity related to the former management) went from €1,884K in 2009 to €1,372 K in 2010, illustrating the reduction in staff.

5.7 Payroll taxes

Payroll taxes (excluding other personnel expenses) amounted to €1,213K in 2010, compared to €1,607K in 2009. This decrease was mainly due to a €300K reduction in URSSAF contributions, payable on the free shares awarded in 2009.

5.8 Employee information

At year end, the company employed 23 persons, compared with 27 people as of December 31, 2009.

- Employee retirement commitments: Because of the immaterial nature of this type of commitment, the Company has not recognized any provision for retirement indemnities.

- Individual training right: Employees had combined individual training rights of 933 hours, representing a total of €15.4K (measured on the basis of the hourly employee cost, excluding payroll taxes).

5.9 Financial income and expenses

In 2010 net financial income was a charge of (€79,481K) compared to net income of €154K in 2009.

Details of net financial income (charges) were as follows:

Financial income

- Dividends €1,262K
- Interest on advances of funds to subsidiaries €8,670K
- Interest on shareholder loans.. €846K
- Income from cash investments.. €143K
- Income from sale of treasury shares.. €9K
- Reversals of impairment of financial assets €15,700K
- Reversal of impairment of current accounts.. €8K
- Reversal of the OCEANE non-conversion premium €7,038K
- Foreign exchange gains.. €33K
- Other financial income (including cancellation of 2009 late payment interest on receivables) .... (€728K)

The reversal of the impairment of financial assets corresponds mainly to the cancellation of the €13,359K shareholder loan extended to THEOLIA Emerging Markets.

Financial expense

- Bond interest..€4,824K
- Interest on loans or advances to shareholders €103K
- Expenses on sale of treasury shares €169K
- Losses on receivables from equity interests...€2,714K
- Impairment of financial assets..€104,576K
- Other financial expenses €76K

The sharp increase in financial expenses in 2010 was due to the significant impairments related to the losses in value of equity interests in, and loans to, affiliates, namely:

- THEOLIA Holding GmbH - impairment of equity interests: €77,573K;
- ecolutions - impairment of equity interests: €15,282K;
- Seres Environnement - impairment of equity interests: €3,507K.

Total: €96,362K

5.10 Extraordinary income and expenses

Extraordinary net income totaled €738K compared to €17,229K in 2009, generated principally through the disposal of Ventura securities.

In 2010 extraordinary income totaled €1,295K.

The Company made claims for adjustment to deductible VAT and payroll taxes for a total of €960K.

The €556K in extraordinary expenses are mainly related to the accelerated amortization (excess tax depreciation over normal depreciation) of equity interest purchase costs.

5.11 Corporate tax

Expense / income

The details of this item are as follows:

- Tax expense (withholding tax on activities in Morocco) (€331K)
- Research and apprenticeship tax credit €195K
- Family tax credit €34K

6. TRANSACTIONS BETWEEN THE COMPANY, ITS DIRECTORS AND EXECUTIVES

Transactions between the Company and its directors

George Hersbach, a THEOLIA director, signed a consultancy agreement under which Heartstream Corporate Finance B.V. provided consultancy services with respect to the Group's disposal of a wind farm in Germany.

The remuneration terms were as follows: satisfactory performance bonus of 1.25% of the value of the wind farm sold. This agreement ended on July 1, 2010.

The services invoiced by Heartstream to THEOLIA were wholly re-invoiced for €904K to the German subsidiary THEOLIA Naturenergien GmbH which thereby recognized on its books all services associated with the sale of its Alsleben wind farm.

7. ASSOCIATES

SOCIETES	Participations (Brut)	Créances rattachées à des participations (Brut)	Prêts	Créances clients et comptes rattachés (Brut)	Comptes courants (Dettes)	Dettes fournisseurs et comptes rattachés	Prestation de services (Produits)	Autres produits financiers	Autres produits	Prestation de services (Charges)	Autres charges financieres
ECOVAL TECHNOLOGY SAS	40	3 583						139	3		
SERES ENVIRONNEMENT	3 507	3 863						149	11		22
THERBIO SA	14 634	6 751						284	3		
ECOVAL 30 SA		4 477						142	6		
CENT EOL DE FRUGES LA PALETTE	37	63					2	2			
THEOLIA FRANCE	14 240	75 355		9		28	2 226	2 610	20	25	
THEOLIA PARTICIPATIONS	40	12 276						457			
ROYAL WIND		914					(3)	34			
CEFF		85	1 978					3			
CENT EOL DE SEGLIEN			3 412								
CENT EOL DES PLOS		338	1 626					13			
CENT EOL DU MOULIN DE FROIDURE		18	4 488					1			
CENT EOL DES SABLONS		36	3 430					2			
CENT EOL DU GRAND CAMP											
CENT EOL DU PLATEAU DE RONCHOIS											
CENT EOL DE SALLEN		296	3 021					11			
CENT EOL DES COSTIERES		621					2	23			
CENT EOL DES GARGOUILLES		596					2	21			
CENT EOL DE CROIX BOUDETS		446					2	20			
CENT EOL DE CHASSE MAREE											
CENT EOL DU MAGREMONT		363					2	71			
CENT EOL DE LA VALLEE DE LA TRIE		868					2	35			
CENT EOL DE L'AQUEDUC		28					2	2			
CENT EOL DE CANDADES		34					2	2			
CENT EOL DU CHEMIN DE FER							2				
CENT EOL DE COUME		78					2	3			
CENT EOL DE LA FORET DE BOULTACH		7					2	2			
CENT EOL DE DAINVILLE		72					2	2			
CENT EOL DE DEMANGE		71					2	2			
CENT EOL DE MOTTENBERG		147					2	5			
CENT EOL DE SORBIERE		38					2	2			
CENT EOL DES SOUTETS		94					2	3			

CENT EOL DU BOIS DES PLAIN		13					1				
CENT EOL BREHAIN TIRCELET		18					2	1			
CENT EOL DE CHEMIN PERRE		20					1	1			
CENT EOL DE LA HAUTE BORNE		18					1	1			
CENT EOL LES HAUTS VAUDOIS		20					1	1			
SNC BAUDIGNECOURT											
SNC LE CHARMOIS											
SNC EOLIENNES DE BEL AIR											
SNC EOLIENNES DU PLATEAU								20			
SNC DEMANGE											
SNC DAINVILLE											
SNC ST BLIN		41					2	1			
SNC LES PINS		40					2	1			
SNC L'ARDECHE		40					2	1			
SNC VESAIGNES		2									
SNC BIESLES		41					2	1			
THEOLIA IBERICA		9 880						464			
NATENCO HOLDING GMBH	195 397	37 029					2 567	1 826	904		
NATENCO GMBH											
LES 4E		348					(3)	12			
THEOLIA WIND POWER PVT (INDIA)	1 118	2 000									
THEOLIA BRAZIL	4 000	2 805						117			
THEOWATT		840						31			
THEOLIA GREECE	57	506									
THEOLIA CEE Gmbh	1 000	270						11			
THEOLIA EMERGING MARKETS	1 998	873				450		32			
CED	45 385	1 512		49			45	91			
THENERGO ME (Sous Groupe)											
Maestrale Energy Srl	28 231	29 883					666	1 254			
Maestrale Giunchetto		12 621						738			
Neo Annemos				20 257					19 380		
Aerochetto											
ECOLUTION	25 057			1							
PLATEAU		534									
TEMPO					1 002		2				
WINDREAM ONE		686						27			
TOTAL	**334 742**	**211 556**	**17 955**	**20 316**	**1 002**	**479**	**5 538**	**8 669**	**20 326**	**25**	**22**

8. OFF-BALANCE SHEET COMMITMENTS

As part of its normal business activities, the Company generally establishes a subsidiary in each country in which it operates. When the company develops a wind project in a country, the corresponding subsidiary establishes an SPV (Special purpose vehicle) to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These hosting entities may be direct subsidiaries of the Company in certain jurisdictions, or indirectly owned through intermediary holding companies.

However, as a Group holding company, the Company may be liable to its lenders, suppliers and clients for providing credit, liquidity or other forms of support for its direct and indirect subsidiaries in the form of guarantees and other commitments.

These off-balance sheet commitments include:

- letters of credit guaranteeing the subsidiaries' working capital;
- guarantees to the suppliers of wind turbines;
- guarantees of finance for the subsidiaries to develop wind projects;
- guarantees for obligations to refund the purchase price for the benefit of clients;
- letters of comfort granted to the subsidiaries; and
- other commitments.

In addition, in some cases, non-consolidated entities may also supply credit, liquidity or other forms of support to the Group given the market risks which also constitute off-balance sheet commitments

Commitments made by the Company

The table below provides a summary of the amounts of off-balance sheet commitments given by the Company as of December 31, 2010:

Commitments given	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Guarantee	Ecoval Technology	BFCC	Guarantee awarded in 2005 for an overall maximum amount of €140,000. €111,086 under this guarantee is currently frozen due to a dispute with the wastewater treatment and drinking water plant in Cabriès.	N/A	0.1	0.1
Leasing agreement for head office	THEOLIA SA	La Halte de Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the registered office premises for a period of 9 years (from March 1, 2008) with no option of early termination.	February 28, 2017	4.4	2.9
TOTAL					**4.5**	**3.0**

Commitments given	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Guarantee	THEOLIA Naturenergien GmbH	Südwestbank	Initial guarantee for up to €7.5m to secure a €10m credit line intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5	2.0
Surety	THEOLIA Naturenergien GmbH	West-LB	Guarantee provided on July 29, 2010 by THEOLIA, for up to €7.5m to secure a €10m credit line arranged by THEOLIA Naturenergien GmbH with West-LB on July 24, 2007 for a period of 5 years.	May 15, 2011	N/A	7.5
Letter of comfort	THEOLIA Deutschland GmbH	THEOLIA Deutschland GmbH	On June 29, 2010, THEOLIA provided a new letter of comfort for its sub-subsidiary THEOLIA Deutschland GmbH in order to meet its obligations to third parties.	June 30, 2012	2.0	5.5
Joint guarantee	Ecoval 30	Société Générale	Joint guarantee for the loan taken out on June 27, 2005 by Ecoval 30. Under the terms of the guarantee the latter will in principal stay in place should Ecoval 30 be sold by THEOLIA to a third party.	July 14, 2012	2.0	0.5
Joint guarantee	Ecoval 30	Crédit Agricole	Joint guarantee for the loan taken out on June 27, 2005 by Ecoval 30 for a 15-year period.	March 27, 2020	4.6	4.4
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Banks	Pledging with various banks of a certain number of accounts opened in their books, with a view to providing for costs that may be incurred in the dismantling of various wind farms in Germany	Variable according to term of loan granted	7.9	6.9
TOTAL					**24.0**	**26.8**

Letters of comfort granted to the subsidiaries

Given the economic context of some of its subsidiaries, THEOLIA commited, acting as reference shareholder, to support the operations during the 2011 fiscal year of:

- THEOLIA France,
- Seres Environnement,
- Ecoval 30,
- Ecoval Technology,
- Group Maestrale Green Energy.

Guarantees for wind farm financing:

The Company may be directly called on to provide guarantees as part of the financing of wind farms by financial institutions or for the dismantling of wind turbines.

These guarantees are pledges of shares in companies owning the wind projects for the duration of the long-term loan.

The table below details the aforementioned asset pledging by the Company as of December 31, 2010:

Entity	Date of commencement of pledge	Date of expiry of pledge	Amount of assets pledged in thousands of euros
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385

In addition to the pledging of assets to banks, framework agreements with the banks provide for a joint and several commitment by THEOLIA, THEOLIA France and Theowatt to make available to the SPVs, via capital contributions and/or shareholder loans, sums corresponding to the fraction agreed with the banks of the wind farm construction costs. In addition, pursuant to these agreements, THEOLIA, THEOLIA France and Theowatt are jointly and severally liable for covering any exceeding of the construction budgets confirmed with the banks via fresh capital contributions and/or shareholders' loans;

These commitments concern the following SPVs:

1. Centrale Éolienne des Plos ("CEPLO"),
2. Centrale Éolienne du Moulin de Froidure ("CEMDF"),
3. Centrale Éolienne de Sallen ("CESAL"),

Finally, the framework agreements with the banks institute a joint guarantee with THEOLIA for the repayment of sums due for revolving credit extended by the banks to the SPVs to finance the VAT on the construction of wind farms.

Off-balance sheet commitments received in connection with the Group's operating activities

Commitments received	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Share buyback option granted	Thenergo	THEOLIA SA	On December 24, 2008, THEOLIA SA sold its entire interest in Thenergo (4,716,480 shares) to Hestiun SA for €15m. THEOLIA retained an option to buy back these shares at the agreed price of 110% of the sale price up to December 31, 2009 and 120% of that price up to December 31, 2010. This option has not been exercised.	December 31, 2010	N/A	N/A
Non-compete commitment	THEOLIA SA	THEOLIA SA	Non-compete commitment covering Europe and running for a 3-year period made by Jean-Marie Santander in the context of his leaving THEOLIA SA	September 29, 2011	N/A	N/A
TOTAL					**N/A**	**N/A**

9. LIST OF SUBSIDIARIES AND EQUITY INTERESTS

Forme juridique	Raison sociale	% détention directe	Adresse	Ville / Pays	Code SIRET	Capital (en K€)	Réserves et report à nouveau (en K€)	Résultat (en K€)	Chiffre d'Affaire (en K€)	Valeur comptable des titres détenus (brut)	Dépréciations	Valeur comptable (net) des titres détenus	Montant des prêts et avances accordés	Montant des cautions et avals donnés
	ECOLUTIONS					28 400	3 086	(3 687)	875	25 057	15 282	9 775		
SAS	SERES	100,00%	360 Rue Louis de Broglie	13290 AIX EN PROVENCE FFRANCE	49061931900018	1 760	-	(3 229)	5 760	3 507	3 507		3 863	
SAS	THEOLIA France	100,00%	4 Rue Jules Ferry	34000 MONTPELLIER FFRANCE	48003982500025	14 240	(11 423)	(9 208)	5 882	14 240	-	14 240	75 355	
Gmbh	THEOLIA HOLDING	100,00%	Hirschstrasse 5	72649 WOLFSCHLUGEN ALLEMAGNE	722378	30	(1 293)	95	4 333	195 397	117 665	77 732	37 029	
SAS	THEOLIA PARTICIPATIONS	100,00%	75 Rue Denis Papin	13290 AIX EN PROVENCE FFRANCE	48003961900022	40	(10 335)	(1 960)	0	40	40	-	12 276	
SAS	ECOVAL TECHNOLOGY	100,00%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FFRANCE	4799175930028	40	(4 889)	(762)	-	40	40	-	3 583	
SA	THERBIO	100,00%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FFRANCE	39997960800060	4 800	(13 393)	602	145	14 634	14 634		6 751	
	THEOLIA GREECE	95,00%	Kolokotroni, N° 15 - Ano Liissia	ATHENES GREECE		60	(607)	-	-	57	57	-	506	
Srl	MAESTRALE GREEN ENERGY	100,00%	Corso Magenta N° 32	20123 MILANO ITALIE	04954090967	15	(2 724)	(883)	1 206	28 231		28 231	29 883	
Limited	THEOLIA WIND POWER PVT INDIA (en INR)	50,00%	1008-1009 Mercantile House 15 Kasturba Gandhi Marg	110001 NEW DELHI INDIA	U40101DL2006PTC145 792	258 433	(51 528)	18 018	(241 500)	1 118		1 118	2 000	
Gmbh	THEOLIA CEE	100,00%	C/o MM-Trust Landstrasser Hauptstrasse 143/22	1030 WIEN AUSTRIA	297793	1 000	(1 189)	(30)	-	1 000	1 000	-	270	
SA	THEOLIA EMERGING MARKETS (en MAD)	95,24%	231, bd. Bir Anzarane	20000 CASABLANCA MAROC	170 779	21 000	(46 261)	19 759	(6 207)	1 998	1 998		873	
SA	CENTRALE EOLIENNE DE FRUGES LA PALETTE	99,94%	75 Rue Denis Papin	13290 AIX EN PROVENCE FFRANCE	49127142500010	37	(156)	(21)	-	37	37		63	
SARL	WINDREAM ONE	100,00%	6, rue Porstrein, BP 21014	29210 BREST FFRANCE	49360054800017	1	(663)	(24)	0			-	686	
SA	CENTRALE EOLIENNE DE DETROIT (MAD)	100,00%	Angle Boulevard Pasteur - rue Ahmed Chawki et rue du Mexique	TANGER MAROC	13 749	181 111	123 414	14 895	80 511	45 385	20 622	24 763	1 512	
SA	THEOLIA BRAZIL (REAL)	99,90%	Rua Furriel Luiz Antônio Vargas, n°250, cj 1.002	PORTO ALEGRE RS BRAZIL	43 2 0524430-6	2 687	(4 541)	(1 038)	-	4 000	1 390	2 611	2 805	

Statutory Auditors’ Report on the financial statements

Year ended December 31, 2010

This is a free translation into English of the Statutory Auditors’ Report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors’ Report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This Report also includes information relating to the specific verification of information given in the Management Report and in the documents addresses to shareholders. This Report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of THEOLIA;
- the justification of our assessments,
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company, as of December 31, 2010, and the results of its operations for the year then ended in accordance with French accounting regulation.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Equity shares and investment securities, with a net amount of € 323,691,763 as at December 31, 2010, are booked at acquisition cost and depreciated as described in Note 1.3 “Financial assets” to the financial statements. On the basis of the information made available to us, our work consisted in assessing datas used for the determination of recoverable amount, including profitability and objectives realization forecasts, and adequacy of assumptions with mid-term forecasts as established under management’s control.

- These assessments were made as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed, according to the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the Management Report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the Report of the Board of Directors contains the appropriate disclosures as to the acquisition of participating and controlling interests and as to the identity of shareholders (percentage of voting rights).

Paris and Marseille, April 28 2011

The Statutory Auditors

Cabinet Didier Kling & Associés		**Deloitte & Associés**
Didier KLING	Christophe BONTE	Christophe PERRAU