THEOLIA

DOCUMENT DE REFERENCE 2008

Pursuant to Article 212-3 of the General Regulation, the Financial Markets Authority registered this Reference Document on January 25, 2010, under No. R10-003. It can only be used to support a financial transaction that is completed by a transaction note officially approved by the Financial Markets Authority.

This Reference Document is established by the issuer and engages the liability of its signatories. This registration, made following examination of the appropriateness and the consistency of the presentation of the Company's condition, does not imply authentication of the presented accounting and financial components.

Pursuant to Article 28-1 of EC Regulation No. 809/2004 of the European Commission, the following information is included by reference in this Reference Document:

- The consolidated financial statements as of December 31, 2006 established according to the IFRS reference as adopted by the European Union and the audit report respectively appearing in paragraphs 20.1 and 20.1.1 of the Company's Reference Document officially approved by AMF on October 17, 2007, under No. R 07-153.

Copies of the Reference Document are available, free-of-charge, at THEOLIA, 75 rue Denis Papin, BP 80 199, F-13795 Aix-en-Provence, Cedex 3. The Reference Document can also be consulted on the Internet sites of THEOLIA (www.theolia.com) and the AMF (www.amf-france.org).

This document is a non-certified non binding translation in English for information purposes only of the French language "Document de référence 2008" of Theolia as registered by the AMF. In the event of any ambiguity or conflict between corresponding statements or other items of this document and the French version, the relevant statements or items of the French version shall prevail. The company assumes no liability with respect to this non-certified translation.

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1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1. RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Eric Peugeot, Chairman of the THEOLIA Board of Directors

Mr. Marc van't Noordende, THEOLIA Chief Executive Officer

Mr. Olivier Dubois, THEOLIA Chief Financial Officer

1.2. CERTIFICATION OF THE RESPONSIBLE

"After having adopted all reasonable measures for such purpose, we certify that the information contained in this Reference Document, to the best of our knowledge, faithfully represents the actual condition and does not contain any omission that could have significant impact upon it.

We have obtained the final report from the statutory auditors, indicating that they have verified the information related to the financial conditions and the accounts provided in this Reference Document and also that they have read the entire Reference Document.

The historical financial information submitted in this Reference Document was covered by the reports of the statutory auditors appearing in paragraphs 20.1.1, 20.2.1, 20.3.1 and 20.4.1 of said document.

The auditors' report on the consolidated financial statements as of December 31, 2006 appearing in paragraph 20.1.1 of the Company's Reference Document officially approved by the AMF on October 17, 2007 under Number R 07-153 does not contain observations or reservations.

The auditors' report on the consolidated financial statements as of December 31, 2007 does not contain observations or reservations.

The auditors' report on the consolidated financial statements as of December 31, 2008 appearing in paragraph 20.1.1 of the Reference Document contains the following observations: "Without calling the above expressed opinion into question, we draw your attention to the 'Going-concern principle' paragraph of note 2.1 of the Notes to the Consolidated Financial Statements."

The auditors' report on semi-annual financial information as of June 30, 2009 appearing in paragraph 20.4.1 of the Reference Document contains the following observations: "Without calling the above expressed opinion into question, we draw your attention to:

- The paragraph Continuity of operationof the Notes. [NB: consider replacing the current translation of the 2008 financial statements with the amended translation that will appear in chapter 20]

- [Paragraph 4 of Note 3 "Characteristic facts of the period"] [is this intended to refer to the paragraph "Cancellation of 2007 sales" in Note 5 "Significant events" during the period?] of the Notes, which mentions the recovery of the provision on the claim due by the Hestiun company following full payment of this claim,

- The paragraph ["Accounting principles and evaluation methods"] [this heading does not appear in the notes to the 2008 financials, is this intended to refer to the third and fourth paragraphs under Note 2.1?] of the Notes, which explains the changes of accounting methods resulting from application of the new standards and interpretations, as of January 1, 2009."

Mr. Eric Peugeot, Chairman of the THEOLIA Board of Directors

Mr. Marc van't Noordende, THEOLIA Chief Executive Officer

Mr. Olivier Dubois, THEOLIA Chief Financial Officer

2. STATUTORY AUDITORS

2.1. ACTING AUDITORS

1. Deloitte & Associés

Les Docks – Atrium 10.4
10, place de la Joliette
13002 Marseille
Represented by Mrs. Anne-Marie Martini.

Date of first appointment: combined general meeting of the shareholders of November 28, 2005 for the remaining term of office of its predecessor, that is, until the regular general meeting of the shareholders called upon to rule on the accounts for the fiscal year closing on December 31, 2007.

Last renewal: combined general meeting of May 30, 2008 for a term of six fiscal years, expiring at the end of the regular general meeting of the shareholders to be held in 2014 for ruling on the accounts for the fiscal year closing on December 31, 2013.

Deloitte & Associés is a member of the Regional Society of Auditors of Versailles.

2. SARL Coexcom

40, avenue Hoche
75008 Paris
Represented by Mr. Frédéric Duchemin

Date of first appointment: appointed deputy auditor during the combined general meeting of the shareholders of November 28, 2005, for a term of six fiscal years, expiring at the end of the regular general meeting of the shareholders to be held in 2012 for ruling on the accounts for the fiscal year closing on December 31, 2011.

It became acting auditor on August 31, 2009, effective date of the resignation of Mr. Jean Jouve, acting auditor for the remaining term of office of the latter, that is, until the regular general meeting of the shareholders to be held in 2012 for ruling on the accounts for the fiscal year closing on December 31, 2011.

La SARL Coexcom is a member of the Regional Society of Auditors of Paris.

3. Acting auditors having resigned or having been renewed during the last three fiscal years

Mr. Jean Jouve resigned his office as acting auditor, for reasons of health, effective on the date of August 31, 2009. As set out by law, SARL Coexcom, deputy auditor, lawfully acceded to the office of acting auditor. Mr. Jean Jouve was appointed acting auditor at the time of the incorporation of the Company on April 16, 1999, whose office was then renewed at the time of the combined general meeting of the shareholders of November 28, 2005 for a term of six fiscal years, expiring at the end of the regular general meeting of the shareholders to be held in 2012 for ruling on the accounts for the fiscal year closing on December 31, 2011.

The combined general meeting of November 28, 2005, took note of the resignation of MB Associés, represented by Mr. Pascal Manu, from its office as acting auditor and resolved to appoint the firm Deloitte & Associés, represented by Mrs. Anne-Marie Martini.

2.2. DEPUTY AUDITORS

1. SARL BEAS

7/9, villa Houssay
92200 Neuilly-sur-Seine

Date of first appointment: combined general meeting of the shareholders of November 28, 2005 for the remaining term of office of the latter, that is, until the regular general meeting of the shareholders for ruling on the accounts for the fiscal year closing on December 31, 2007.

Last renewal: combined general meeting of the shareholders of May 30, 2008 for a term of six fiscal years, expiring at the end of the regular general meeting of the shareholders to be held in 2014 for ruling on the accounts for the fiscal year closing on December 31, 2013.

La SARL BEAS is a member of the Regional Society of Auditors of Versailles.

2. Following the accession of SARL Coexcom to the office of acting auditor on the date of August 31, 2009, the Company will proceed to appoint, as prescribed by law, a new deputy, at the time of the next meeting, for the remaining term of office of its predecessor, that is, until end of the regular general meeting of the shareholders to be held in 2012, to rule on the accounts for the fiscal year closing on December 31, 2011.

3. Deputy auditors having resigned or having been renewed over the last three fiscal years.

The combined general meeting of the shareholders of November 28, 2005 noted the resignation of Mr. Jean-Christophe Barbier from his office as deputy auditor and the term of office of deputy auditor Mr. Luc Pozzo Di Borgo.

3. SELECTED FINANCIAL INFORMATION

Condensed consolidated income statements for the fiscal years closing December 31, 2008, 2007 and 2006

(in thousands of euros)	12/31/2008	12/31/2007 published	12/31/2007 adjusted IFRS 5 (1)	12/31/2006 pub-lished(18months) (2)
Revenue	**69,956**	**306,481**	**288,134**	**70,986**
Current operating income	(67,299)	(3,250)	438	(6,370)
Current income	**(196,460)**	**(38,726)**	**(37,517)**	**(7,938)**
Net income	(244,098)	(48,807)	(48,625)	(4,173)

(1) It is hereby stated that, pursuant to standard IFRS 5 relative to discontinued activities or those held for sale, the majority of the non-wind companies of the Group have been grouped into a single item "net income after tax of discontinued activities or those held for sale" In order to enable comparison with the prior fiscal year, the 2007 income statement has been adjusted for the impact of the companies concerned.

(2) The general meeting of the shareholders of November 28, 2005 decided to shift the date of the closing of the fiscal year from June 30th to December 31st. The fiscal year closing on December 31, 2006 thus encompasses business over 18 months.

In 2008, an ambitious development policy undertaken in the past, characterized by external growth and increasing the number of subsidiaries collided with the world financial crisis, leading to the recording of losses of value and depreciation of assets for 105.6 million euros. In total, non-recurring charges and provisions, including depreciation and losses of value, negatively impacted the fiscal year for an amount of 201.9 million euros.

Following the decision of the preceding Management, announced on September 3, 2008, to limit as much as possible sales of wind farms, the Group did not record the sale of any wind farms in 2008. This deprived the Group of substantial revenue and of the profit margin deriving from it, and it was not possible for it to absorb the substantial fixed costs, particularly in Germany. It should be noted that the new Management, appointed on September 29, 2008, revitalized sales of wind farms to third parties. The first sales were then recorded in the first quarter of 2009.

Condensed consolidated balance sheet for the fiscal years closing December 31, 2008, 2007 and 2006

(in thousands of euros)	12/31/2008	12/31/2007 adjusted (3)	12/31/2006
Non-current assets	555,584	645,865	298,655
Current assets	343,302	509,046	153,679
Total assets	**918,703**	**1,154,912**	**452,334**
Shareholders' equity	169,760	404,420	171,421
Non-current liabilities	469,080	480,292	93,733
Current liabilities	266,742	270,200	187,180
Total liabilities and shareholders' equity	**918,703**	**1,154 912**	**452,334**

(3) During the 2007 fiscal year, under the standard IAS 8, the following three errors were confirmed in the accounts as of December 31, 2007 and gave rise, by application of the standard IAS 8, to an adjustment of the information relating to the 2007 fiscal year presented in the consolidated financial statements as of December 31, 2008:

i) The acquisition undertaken at the end of 2007 of shares of German companies was incorrectly shown, such that debts and goodwill were increased in the accounts for the fiscal year closing on December 31, 2007. The pre-consolidation adjustment is summarized as follows:

	Balance sheet effect as of 12/31/2007
Adjustment to goodwill:	-€2,549 K
Adjustment to current assets:	-€5,711 K

Adjustment to current liabilities: -€8,260 K

These adjustments have not affected the income statement.

ii) Furthermore, the posting of the convertible bond (OCEANE) undertaken in October 2007 gave rise to a partially erroneous adjustment, such that shareholders' equity in the accounts as of December 31, 2007 was decreased by €1,129 K, and non-current financial liabilities increased accordingly. The effect of the adjustment is summarized as follows.

Balance-Sheet Effect 12/31/2007

Adjustment to shareholders' equity: +€1,129 K

Adjustment to current financial liabilities: -€1,129 K

These adjustments have not affected the income statement.

iii) A change in the assessment of the level of control of the Spanish company Asset Electrica, 50% held, resulted in a change of the method of consolidation. The company is accounted for under the equity method. The effect of the adjustment is summarized as follows.

Balance sheet effect 12/31/2007

Tangible assets: -€9,896 K

Non-current financial assets: +€6,568 K

Non-current financial liabilities: -€3,075 K

Trade payables: -€752 K

Associated companies: -€217 K

This change in the method of consolidation led to an increase in net income of €181 K as of December 31, 2007.

Condensed consolidated cash flow for the fiscal years closing on December 31, 2008, 2007 and 2006

(in thousands of euros)	12/31/2008	12/31/2007 adjusted,(4)	12/31/2006 (18 months)
Net cash flow generated by the business	(147,725)	30,093	(4,298)
Net cash flows associated with the investment operations	(73,727)	(136,663)	(117,862)
Net cash flows associated with the financing transactions	(12,184)	369,459	166,007
Change in cash	**(233,567)**	**262,778**	**43,847**

(4) Adjusted following noting of the three errors described above.

Condensed semi-annual consolidated income statements as of June 2009 and June 2008

(in thousands of euros)	06/30/2009	06/30/2008 adjusted IFRS 5
Revenue	**104,929**	**55,386**
Current operating income	10,467	(14,611)
Operating income	**1, 976**	**(14,633)**
Net income	(14,139)	(26,183)

The consolidated revenue amounted to 104.9 million euros in the first half of 2009, an 89% increase in relation to that of the first half of 2008 (IFRS 5 adjusted). This is explained in part by the strong rise in the activity Development, construction, and sales, the revenue for which reached 57.2 million euros. As reported, the Group resumed its sales of wind farms in Germany.

Thus, 35.5 MW were sold during the first quarter of 2009 and 3 MW during the second quarter. There were no sales of wind farms in 2008.

The operating income of the Group reached 2 million euros, whereas it was negative 14.6 million euros as of June 30, 2008, (IFRS 5 adjusted). The consolidated operating income was, however, also affected by the recording of non-recurring charges for a cumulative amount of 10.3 million euros, which was distributed as follows:

1. Value adjustments for 5.9 million euros (Morocco and Spain).
2. Depreciation of goodwill for 2.1 million euros (Morocco).
3. Miscellaneous provisions for a total of 2.3 million euros.

Sales of electricity in the first half of 2008, for the Group's ownaccount and for third party accounts, increased by 139%, due in particular to a very strong growth of sales of electricity from wind power stations held by the Group, which went from 5.9 million to 30.2 million euros, representing a growth of 409%.

The installed power of wind power stations held by the Group increased by 380%, going from 73 MW in June 2007 to 350 MW in June 2008.

Electricity sales for the account of third parties went from 16.4 million to 23.1 million euros, recording a rise of 41% associated with the increased number of stations managed for third parties.

In the first half of 2008, the Group chose not to undertake the sale of any wind power stations. In the first half of 2007, the Group had realized revenue of 16.1 million euros.

There was a change in scope with respect to non-wind activities: Thenergo floated a capital increase following its listing on the Stock Exchange in June 2007, the consolidated Group maintaining this subsidiary through application of the equity method. This change of method represents (7.3) million euros on a total change of (4) million euros. On a like-for-like basis, non-wind activity grew by 44%.

Current operating income varied little over the period. The substantial increase in depreciation and provisions was mainly associated with the effects of the changes in scope. Actually, the acquisitions and commissioning in the second half of 2007 affected the depreciation and provisions in the first half of 2008 for an amount of 10.2 million euros.

The net income for the first half of 2008 was primarily affected by financial charges of the Group and the dilution profit on Thenergo.

It should be noted that the operating income as of June 30, 2008 includes earnings of 22.9 million euros due to the dilution of the Group's holding resulting from the opening of the Thenergo's capital following its registration on the compartment outside Alternext's APE.

The net cost of credit went from 2.8 million euros at the end of 2007 to 14.2 million euros at the end of June 2008. This change primarily encompasses the accounting charge for interest expense on the convertible bond (OCEANE) and increased interest charge associated with the acquisition of wind power stations in 2007.

Condensed consolidated balance sheet as of June 30, 2009, as of December 31, 2008 and as of June 30, 2008

(in thousands of euros)	06/30/2009	12/31/2008	06/30/2008
Non-current assets	552,576	555,584	743,184
Current assets	285,287	343,302	364,578
Total assets	**855,424**	**918,703**	**1,107,762**
Shareholders' equity	154,871	169,760	387,811
Non-current liabilities	487,240	469,080	484,557
Current liabilities	200,013	266,742	235,394
Total liabilities and shareholders' equity	**855,424**	**918,703**	**1,107,762**

Condensed consolidated cash flow as of June 30, 2009 and June 30, 2008

(in thousands of euros)	06/30/2009	06/30/2008
Net cash flow generated by the business	20,803	(67,046)
Net cash flow generated associated with investment transactions	(2,894)	(71,492)
Net cash flow generated associated with financing transactions	(27,049)	(25,465)
Change in cash	**(9,099)**	**(164,425)**

4. RISK FACTORS

The Company has carried out a review of its risks. The risks presented below are, on the registration date of the Reference Document, those identified by the Company, for which the occurrence is likely to have a material adverse effect on the Company, on its activities, its financial situation, its results or the price of its shares. The Company considers that there are no further significant risks apart from those shown below. Nevertheless there are other risks, not yet identified, which could be judged by THEOLIA as significant and could also have a negative effect.

4.1. RISKS LINKED TO THE ACTIVITIES OF THE GROUP

4.1.1. Risks linked to climate conditions

In the framework of its business, the Group operates, on its own behalf and for third parties, electricity generating wind farms. As of September 30, 2009, the revenues for electricity sales on its own behalf represented 16% of consolidated revenues and the sales of electricity for third parties represented 11.2% of consolidated sales.

The production of this energy depends on climate conditions, particularly wind conditions.

During the project development phases, the Group carries out wind studies by installing wind measuring masts on the projected site. The quality of the result depends largely on the quality of the measures taken over a period of at least one year, but especially on the long-term accuracy of the benchmark meteorological station's findings. Even if the onsite checks are carried out very carefully, no guarantee can be given by the Company as to the reliability of the meteorological station measurements and the quality of its correlation with the site.

In addition, the Group cannot guarantee that the wind conditions encountered on its sites during operation will be in accordance with those forecast during the project development phase.

In particular, a long-lasting drop in the wind strength on the sites or the occurrence of a natural disaster arising from exceptional climate conditions can cause a reduction in the volume of electricity produced by the Group, which could thereby lead to a decrease in the revenue and profitability of the Group. The occurrence of such events could have a significant negative effect on the activity, the financial situation or the results of the Group, or on its ability to meet its objectives.

Therefore it is emphasized that for all its wind farms under development, an independent consultant draws up a report on the wind potential of the site for the Group. This serves as the foundation for the policies adopted by the Group. In addition, during the project financing stage of the project, the lending bank also carries out an external and independent audit of the wind potential. Thus the wind hypotheses adopted by the Group are validated several times by several independent experts.

In order to check on its operational wind farms, the Group has established daily monitoring and permanent reporting to measure performance, thus enabling it to understand and closely follow the development of operational conditions and to draw up a substantive statement for budgetary forecasts. This remote supervision of the functioning of the installations also enables it to limit the frequency and the duration of incidents, and thus achieve better rates of availability.

Finally, the Group has wind farms in operation in France, Germany and Morocco, and also has farms under construction, inter alia, in India and Italy. This geographical diversity reduces the risk of the impact of unfavorable local wind conditions, as has been the case in France and Germany.

4.1.2. Risks linked to the profitability of the operational sites

The economic model of the wind farms is based on a long-term finance plan going from 15 to 20 years and is largely dependent on revenue generated, which may vary depending on the climate conditions, electricity demand, the level of tariffs or subsidized regimes established by certain countries.

The Group is careful to cover the corresponding risks contractually. However the Group is not able to give guarantees concerning the solvency of its customers, the fluctuation of operating and maintenance costs, temporary or definitive stoppage of work on production sites or any event which could cause a decrease in the profitability of the production sites. It is considered that the main risk relating to the profitability of the operating sites is linked to the climate conditions risk.

In such a case, the Company would have difficulty in meeting the payment deadlines of one or more finance plans for wind farms, which would have an adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

4.1.3. Risks linked to the availability of future sites

The selection of future sites for the installation of Group wind farms is subject to numerous criteria. Firstly, the site must have favorable wind conditions. Then the site must take different constraints into account, particularly topographical constraints, environmental constraints (notably linked to the proximity of habitations or sensitive or protected sites), the various easements or rights of way linked to the site and the ease of connection with the local electricity network. It is also to be noted that the strong growth in wind farms installed in Germany, where the Group is active, tends to reduce the number of potential installation sites.

So, if the installation constraints are likely to strengthen or if the Group was not able to find sites available for its development, this could have a significantly unfavorable effect on its activity, its financial situation or its results, or on its ability to achieve its long-term objectives (the development cycle of a project being from 5 to 7 years).

4.1.4. Risks linked to obtaining construction and operating permits

It is necessary to obtain operating authorizations and building permits for the construction of a wind farm. Applications must be made to the various national and local authorities and the application process often proves long and complex, before obtaining the permits. In addition, once the permits have been obtained from the appropriate authority, the decision is often subject to appeal, which can lead to its cancellation and result, in all cases, in further delay. The Group cannot guarantee that the building permits under examination will be obtained.

For those farms in operation, even if the Group pays great attention to the operating conditions, the renewal or the maintenance of the permits and authorisation can often be questioned, particularly if the Group does not comply with the provisions of these authorizations, permits, electricity purchase contracts and the applicable regulations.

Failure to obtain building permits or operating authorization, the absence of renewal or maintenance of such permits and authorizations obtained or appeal procedures against certain requests for building permits or authorizations, could have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

In order to limit the risk linked to any failure to obtain permits or where permits are questioned by third parties, the Group develops its projects with the greatest care, in cooperation with governmental departments and the local authorities concerned, as well as with the local political players and associations, and obtains the services of qualified experts. The Group seeks, particularly in Germany, to acquire projects with building permits expunged of third party claims from developers whose role is, inter alia, to carry out all the studies and formalities and to obtain the required authorizations.

As of December 31, 2009, the Group had in its portfolio development projects for 266 MW with permits, of which 2 projects in France representing 33 MW were definitively authorized and free of any appeal process, 2 projects in Italy representing 75 MW were free of any appeal procedures, 3 projects in Germany representing 6 MW, which were definitively authorized and free of any appeal procedure, and 9 projects in India representing 152 MW (in the framework of a 50/50 joint venture ; in total, the 9 projects represent a capacity of 304 MW). On the date of this Reference Document, the projects under construction (27 MW in Italy, 4 MW in Germany and 13 MW in India) are financed by Group funds and by the banks of the Group.

On average, the Group considers that a period of 24 – 48 months is needed from the lodging of a permit application to the start of operations. The Group has been confronted, since 2008 in France, as for the entire for wind farm sector in general, by an increasing number of refusals to issue building permits or appeals. In Italy, the regulatory and legal environment brings a risk of questioning the validity of permits already obtained, including cases where the legal period for appeals by third parties has expired. Thus the successful conclusion of such actions is subject to the existence of exceptional circumstances.

4.1.5. Risks linked to the acceptance of wind farm projects by the population

Some people or groups of people are opposed to the installation of wind farms and cite visual pollution of the countryside, sound disturbances or more generally an attack on their environment.

Although the development of a wind farm needs a study of the environmental impact and, in France, the organization of a public enquiry prior to the obtaining of a building permit, no guarantee can be given by the Company regarding the fact as to whether or not the wind farm project will receive a favorable reception from the population concerned.

In addition, even if there are already various regulations governing the places for installation of wind farms, particularly limiting the proximity to residential areas, the opposition of local populations can cause the adoption of new and more restrictive regulations.

In France and in Italy, the mobilization of part of the population against the installation of a wind farm can render the acquisition of a building permit more difficult, can cancel certain building permits or obstruct the operations of a given project. The multiplicity of appeal procedures can have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

To limit this risk, the Group takes various actions all along the development process: a presence alongside bodies representing the population in the very first stages of investigation and research in order to include all these aspects; in parallel with technical studies, the regular convening of meetings with the population and the official authorities so as to inform local residents concerned and to encourage the acceptability of the project; wide-ranging inquiries and cooperation during the development stage concerning the impact of the project on the environment; keeping close relations with local and national elected persons with the aim of encouraging their acceptance of new wind farm projects in their area.

In Germany, this risk is limited to the extent that the Group generally acquires projects with permits already obtained and expunged of claims from third parties.

4.1.6. Risks linked to the construction of the wind farms

The risks linked to the construction of wind farms include any event likely to delay the ability of the Group to deliver an installation within the forecast deadlines and costs, such as unfavorable meteorological conditions, difficulties in connecting to the grid, construction faults, unforeseen technical events, delays or delivery problems with the suppliers or appeal procedures initiated by third parties. Any delay in the construction stage can cause a delay in the date for operational start-up, and therefore a later start to the booking of sales than the forecast included in the profitability model for the project. Certain of these events, depending on the responsibilities, can lead to delay penalties and/or extra costs for the Group. It is, however, usual to limit these contractually to the amount of the construction work done by the Group.

This risk is minimized by the contract structure adopted: the Group very often uses turnkey contracts, leaving the cost and timing risks with the supplier. So, up to a certain limit, the extra costs remain with the supplier and the delays in implementation are compensated. In cases where a turnkey structure is not possible, the Group has had excellent experience in drawing up contractual construction schemes and seeks to allocate each risk to the party most likely to deal with it. However, the Group cannot guarantee that these measures are sufficient to compensate for a significant delay. In particular, if this delay is due to the supplier, the indemnity which the latter could be forced to pay would only take effect after very long delays.

4.1.7. Risks linked to connection to the transport networks and electricity grid

The installation of a wind farm requires a connection to the national grid for the transportation or distribution of electricity. In choosing the site with a view to the development of future wind farm, the developer must take into account the possibility, or not, of connecting the farm to the transportation or distribution grids. The Group studies this grid connection constraint very carefully right from the initial site selection stage. Taking into account the sometimes great distance between the installation site of the future farm and the transportation and distribution grid and the queues of developers waiting at the connection points, the Group cannot give any assurance that it will obtain sufficient grid connections, within the time periods and costs envisaged for all of its projects under development.

In addition, congestion problems, accidents or interruptions to the transportation and distribution grids can have a material adverse effect on the activity, the financial situation or the results of the Group, or its ability to achieve its objectives.

4.1.8. Risks linked to pollution of the sites operated by the Company

The Group operates energy production sites, which are likely to cause annoyance or nuisance to the neighborhood, the flora and fauna and more generally the safety or the protection of nature and the environment. The Company can never guarantee that its sites will not be the source of pollution, nuisance or environmental damage, to persons or to things.

An act of sabotage or ill will committed on the Group's production sites could have consequences similar to those described above.

If such cases were to occur, the liability of the Company or of one of the Group companies could be invoked for the repair of the damages or prejudice caused. In spite of the insurance policies subscribed by the Group, calling the liability of the Company in environmental matters into question could have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

4.1.9. Risks linked to changes in electricity sale prices

Group revenues generated by sales of electricity produced from wind energy depend particularly on the sale price of the electricity. Depending on the country, this sale price can either be fixed by the regulatory authorities in the form of a guaranteed tariff or be the result of market prices.

No guarantee can be given by the Group that the regulated tariffs and the market prices will always reach a level ensuring the profit margins for the Group initially forecast at the time the project was financed. This could have a material adverse effect on the activity, the financial situation or the results of the group, or on its ability to achieve its objectives.

In France and in Germany, where the Group generates the greater majority of its electricity sales, the Group has concluded long term contracts for the sale of electricity at the tariff fixed by the regulatory authorities for its operational wind farms. Even though the Group considers this risk to be minor, any decision by the public authorities or the regulator to change the tariffs could affect or change the financial parameters of the projects in the course of development.

In Morocco, where the Group has generated sales of 3.4 million euros in the first half of 2009, the operational wind farm at Tangier benefits from a long term sales contract for electricity at a fixed tariff. Even though the Group considers this risk to be minor, the Moroccan *Office National de l'Electricité* has the right, as of end of 2010, to cancel the concession contract, by means of payment of a contractually established indemnity.

In the other countries where the Group is developing wind farms (Italy, Brazil and India), whether or not benefiting from tariffs fixed by the regulatory authority, a drop in the market price for the sale of electricity and/or green certificates could change the financial parameters of the projects in the course of development.

4.1.10. Risks linked to competition with other renewable energy electricity producers

The market for electricity production from wind energy is growing strongly in the world. The competition within this market could still intensify in the future. Various players, current or future, could compromise the prospects for growth of the Company.

The Group is concentrating its efforts on development arising from its prospecting activity. The competition is mainly over access to the available installation sites. In Germany, where the Group generally acquires projects with permits acquired and free of any third party appeals, the competition relates to acquisition of projects. Certain competitors can have bigger financial resources, enabling them to acquire projects at high prices.

Finally, since the strategy of the Group is to sell its operational wind farms, either at the moment of being put into service in Germany, or 2 or 4 years afterward in France and in Italy, there is also strong competition in the sale of operational wind farms.

It cannot be certain that this competition will not have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

4.1.11. Risks linked to suppliers

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

For the development of each of these wind projects, the Group favors a case by case approach. It selects the manufacturer depending on the turbine model most appropriate for the site, so as to optimize the performance and depending on the ability of the supplier to take on the maintenance of the installations. As of June 30, 2009, purchases from the ten first suppliers amounted to €30.3 million for the whole Group, representing 731% of all purchases made during the half-year. The first supplier represents €10.2 million of purchases and 24.5% of all purchases effected. The first five suppliers represent €24 million of purchases and 57.9% of all purchases made. These are mainly turbine suppliers or wind project developers. The main suppliers of turbines are described in paragraph 6.2.4. The Company no longer has a framework agreement in effect for its turbine supplies and is therefore not constrained by important commercial and financial commitments over the long term. The Group therefore has great latitude in the selection of its suppliers for each of its development projects. This approach favors a wide range of suppliers and reduces the risk of dependence on one supplier. It does, however, expose the Group to two main risks:

- The risk linked to increased prices for the supply of turbines: in terms of the rising demand linked to market growth and taking into account the limited number of suppliers, the price of the equipment needed for the construction of a wind farm has increased significantly over the last few years. Recently, a fall in the price of this equipment has been experienced. However, depending on the future evolution of the market, a risk of price inflation for these elements persists. An increase in the price of turbines would be likely to harm the profitability of certain wind projects under development. However, this risk is limited to the extent where the investment decisions of THEOLIA take into consideration the yield of the operation and the wind farm orders in the framework of contracts limiting these risks as much as possible. Since THEOLIA uses the services of several suppliers, the competitive environment also helps to limit this impact

- The risk linked to the availability of equipment: depending on the demand encountered in the market, some suppliers may no longer be able to meet the needs of the Company or to give priority to the most important actors in the market. No guarantee can be given that the main suppliers of the Group can meet their commitments within the periods agreed and that the Company will not experience delayed deliveries.

An increase in the cost of supplies or the materialization of the risk linked to the availability of the equipment needed for the construction of wind farms or any inability of a supplier to respect its commitments, particularly with regard to maintenance, for all the geographic areas where the Company has installations, could weaken the economic profitability of a project and have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

4.1.12. Risks linked to clients

In the framework of its activities of electricity production from wind sources, the Group sells the electricity it produces to distributors (such as EDF in France), generally through long-term agreements (on the order of 15 years or more). No guarantee can, however, be given that these clients will honor their contractual obligations. Even though the Group considers that the risk of loss or insolvency of one of these clients/distributors is limited to the extent that the majority of historic distributors are solidly established, the occurrence of such an event could have an unfavorable effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

In the framework of its sales activities of operating wind farms, the Group has a wide client base, consisting of buyers, private or public, individuals, industrial or financial. The Group is careful not to create or continue any dependence on one or another of them. This allows it to identify and to manage successfully the exposure inherent in these activities. No assurance can be given, however, that the Group will be able to find buyers for all its wind farms and projects that it wishes to sell. In addition, the sale of a wind farm can be subject to a suspensive condition regarding obtaining financing by the buyer or retention of the financing already in place. In the current financial crisis and the difficulty of accessing loans, no guarantee can be given by the Group as to the ability of the buyer to obtain the financing needed for its purchase or to keep existing financing in place. For example, we recall that in 2008, the Group cancelled two sales recorded at the end of 2007 because of inability of the buyers to obtain their financing.

For the half-year closed at June 30, 2009, the cumulative revenues achieved with the first ten clients represented 41.7% of the total Group revenues, while revenues effected with the first five clients represented 32.3% of total Group revenues. The cumulative revenues achieved at September 30, 2009 with the first client represented 42.3% of total Group revenues, while revenues achieved with the first five clients represented 69.4% of total Group revenues. The main clients of the Group are the buyers of electricity produced by the Group in France, in Germany and in Morocco as well as the buyers of wind farms.

In general, the Group regularly checks the financial standing of its different clients, taking into account their financial situation, past experience and other specific factors.

4.1.13. Risks linked to foreign partners

In emerging countries, and particularly in Brazil and India, the Group develops, and wishes to develop, its activities through partnerships with local actors with a good knowledge of the local production of wind energy. The partner is particularly charged with prospecting and developing new projects, especially in terms of relations with local authorities. Partnerships allow the Group, in particular, to benefit from the support of experienced teams solidly established locally. In Germany and in Italy, the Group may co-develop certain projects in partnership with a local developer.

The occurrence of disagreements with one or several partners can cause doubts to be cast on one or several projects and would be likely to have a material adverse effect on the activity, the financial situation or the results of the Group, or on its ability to achieve its objectives.

4.2. RISKS LINKED TO THE COMPANY

4.2.1. Risks linked to disposal of assets

In line with its strategic focus on its wind activity, THEOLIA has started a program for the disposal of its non-wind assets. In order to generate liquid funds to finance its future growth, the Group had also undertaken a program of sales of certain wind assets and wind projects.

Taking into account current market conditions, the financial difficulties of several players and the contraction of the credit market, the Group cannot guarantee to be able to carry out the planned disposals, within the time period envisaged and at price and guarantee conditions in line with the objectives that the Group has established and on which its liquidity and financial results forecasts are based. In addition, the Group cannot guarantee that buyers will find the financing needed to achieve their acquisitions. For example, it can be recalled that in 2008, the Group cancelled two sales achieved at the end of 2007 because of the inability of the buyers to obtain financing.

The occurrence of these risks would cause changes in the cash forecasts of the Group and could have a materially adverse effect on the activity, the financial situation or the results of the Company, or on its ability to achieve its objectives.

Nonetheless, in the event that the planned disposals occur with delays, the Group would still benefit from the possibility of postponing certain investments in targeted projects, in order to lessen the burden on its cash position.

4.2.2. Risks linked to fluctuating revenue

The Group is a developer and an international operator of wind projects. In the framework of its activities, it can sell the electricity produced by its farms in operation and sell the wind farms. In addition, the Group carries out its business in six different countries. The revenues and the results of the Group can therefore vary from one financial period to another.

For the first nine months of 2009, the revenues of the Group reached €233 million against €76 million for the first nine months of 2008.

The income of the Group is particularly dependent on the operational start-up dates of the farms and the sales of wind farms achieved over the period. In 2008, following the decision of the former Management taken at the time of the board of directors meeting of August 27, 2008, to limit to the maximum the selling of wind farms in Germany, no sale of wind farms had been made over the period. The new Management having announced the continuation of this activity as of the end of 2008, 234 MW of projects and wind assets were sold in 2009.

The income of the Group in terms of electricity sales on its own behalf is dependent on climate conditions, but also on the number of MW held by itself and commissioned by the Group which generate electricity sales. Taking into account the relaunch of disposals in Germany implemented since the start of 2009 and the Group strategy of selling the farms after 2 to 4 years of operations in France and in Italy, the capacity installed by the Group will fluctuate from one financial period to another.

Consequently the comparison by financial period, or by revenue period, of the Group may not necessarily reflect the evolution of its more long-term business and may not be a relevant indicator of its future results. No guarantee can be given regarding the correlation of the forecasts and the expectations of investors, and the future results of the Group.

4.2.3. Risks linked to the effect of potential acquisitions or investments

The Company carries out regular acquisitions in the framework of prospecting and developing of its wind projects. This is especially the case in Germany, where the Company generally acquires wind projects approaching the end of the development phase. Even though the Company considers that this risk is low, no guarantee can be given by the Company regarding its ability to successfully complete the construction and operational stages of these projects.

In addition, the Group can decide to carry out new acquisitions or investments linked to expansion opportunities. No guarantee can be given regarding that the Company will succeed in integrating the companies acquired, releasing the forecast synergies, installing and maintaining standards, controls, procedures and uniform policies and enjoying good relations with the staff of the entities acquired following the changes of management. A problem with these integrations or investments could have a material adverse effect on the activity, the financial situation or the results of the Company, or on its ability to achieve its objectives.

In general, taking account particularly of the strong competitive context, the Group cannot guarantee that it will be able in the future to carry out the external growth operations it wishes. The Company cannot guarantee that the investments which it plans will be carried out at the planned cost and delivery date terms, or that the investments, once realized, will turn out to be in line with the Company's forecasts. No guarantee can be given regarding the profitability of these acquisitions with regard to the prices paid.

Part of these acquisitions or investments can be the object of remuneration by transferring Company shares, which could have a diluting effect on the situation of current shareholders of the Company. In addition, the methods of financing these acquisitions or investments, whether remunerated in cash or in shares, could have an adverse effect on the stock market price of the Company's shares and the financial situation of the Group, particularly in the case of incurring debt.

During the year 2009, the main acquisitions concerned the wind projects bought in the framework of normal trading business in Germany. These acquisitions represent approximately 25 MW.

4.2.4. Risks linked to dependence on key personnel

Future successes of the Company depend on its ability to retain and motivate its key staff, as well as to attract highly qualified staff. The Company might not be able to achieve this to maintain its competitive position and its profitability, which could then have a significantly unfavorable effect on the business, the financial situation or the results of the Company, or on its ability to achieve its objectives.

4.2.5. Risks linked to potential dilution for shareholders

As of December 31, 2009:

- 3,922,650 equity warrants are in circulation enabling the issue of 3,997,450 new shares in the Company ;
- 2,070,611 free shares were allocated enabling in the future the maximum issue of 2,070,611 new shares in the Company ;
- 11,538,462 OCEANEs (convertible bonds) were issued enabling the issue of 11,538,462 new shares in the Company, in the case of converting the bonds at the price of €20.80.

It is noted that out of the 3,922,650 equity warrants in circulation, 3,522,650 (i.e. 90%) have a strike price higher or equal to €12.174.

As of December 31, 2009, if all the transferable securities giving access to the capital had been exercised, a shareholder holding 1% of the capital before their exercising would have seen its holding change to 0.69% of the capital of THEOLIA:

	Number of secutities	Number of shares	Potential dilution
Situation as of 12/31/09		39,895,207	1.00
Issue BSA CS	100,000	118,700	
Situation after the transaction		40,013,907	0.997
Issue of BSA Bis	300,000	356 100	
Situation after the transaction		40,370,007	0.988
Situation after the transaction	167,637	167,637	
Issue BSA 07		40,537,644	0.984
Situation after the transaction	118,730	118,730	
Issue BSA 08		40,656,374	0.981
Situation after the transaction	118,730	118,730	
Issue BSA PC1		40,775,104	0.978
Situation after the transaction	80,460	80,460	
Issue BSA PC2		40,855,564	0.976
Situation after the transaction	37,093	37,093	
Issue BSA GE		40,892,657	0.976
Situation after the transaction	3,000,000	3,000,000	
Allocation of free shares		43,892,657	0.909
Situation after the transaction	2,070,611	2,070,611	
OCEANEs		45,963,268	0.868
Situation after the situation	11,538,462	11,538,462	
Situation after the transaction		57,501,730	0.694

At the time of its press releases issued on January 29, 2009 and April 24, 2009, the Company recalled the need to restructure its capital, notably through the restructuring of its convertible bonds or by the entry into its capital of a new investor. One or the other of these occurrences could cause a potential dilution for the shareholders. The Company announced a restructuring plan on December 29, 2009, which could cause a significant potential dilution for shareholders.

The realization of the restructuring operation would thus cause, for a shareholder holding 1% of the capital on that day, a fall in its holding which, if it did not take part in the capital increase set out in the restructuring and according to the scenarios for capital restructuring, would to fall to a level of 0.18% to 0.20% of the capital entirely diluted after taking into account all the diluting instruments (as set out in paragraph **20.8**).

4.3. LIQUIDITY RISKS

4.3.1. Aggregate liquidity risks

The liquidity risk is the risk that the Group cannot meet its obligations on time or under normal terms. The Financial Department of the Group is responsible for cash management, financing and the management of maturities. The Group manages the liquidity risk on a consolidated basis, taking into account operational requirements. The Management manages the net cash position of the Group on the basis of forecasts, taking account of anticipated cash flows. The cash and cash equivalents of the Group are held in regulated, highly rated financial institutions.

At the end of 2008, the Group had used the entire convertible bond issued at the end of 2007. The evolution of market conditions made difficult financing through a capital increase, by conversion of the equity warrants and/or by obtaining a loan.

In this context, the Group had undertaken to proceed with the disposal of its non-strategic assets. Therefore, several non-wind assets were already disposed of at or since the end of 2008 (Thenergo in December 2008, Biocarb in April 2009, the hydraulic development business in Canada and two peaking units in France in July 2009) and the remaining assets are being disposed of (the environmental department in France, Ecolutions, a solar energy plant in Germany). The disposal of Thenergo has enabled the Group to realize a significant cash injection in May 2009, while the other disposals enabled an improvement of the liquidity situation by cutting down Group needs for working capital.

The Group has also established a program to sell more than 200 MW of wind assets and projects so as to strengthen its overall cash position and to observe the strategy introduced by the new General Management and approved by the Board of Directors. As of December 31, 2009, the total capacity managed by the Group amounted to 780 MW, of which 319 MW were managed for the Group's own account and 461 MW for the account of third parties. During the course of the year 2009, THEOLIA sold 144 MW of installed capacity (137 MW in Germany and 7 MW in France) of a total of 234 MW sold (146 MW in Germany and 88 MW in France) (figures not audited).

The Group continues to concentrate on the realization of planned sales and the management of costs. It is also engaged in restoring its cash position. In parallel, the Group must also enter into new wind development projects so as to ensure its future and to provide a return on the funds invested by its shareholders.

It is emphasized that the cash available at Group level is stable in aggregate since December 31, 2008. On this date it reached €34 million, compared to €36 million as of June 30, 2009 and €34 million as of November 9, 2009.

On the date this Reference Document was registered, the Group had lines of corporate revolving credit in Germany for a cumulative amount of €31.5 million, in addition to its convertible bonds described in paragraph 4.3.5 below.

The Group estimates that on the date this reference document was registered, its cash and cash equivalents, its securities and shares, the proceeds of the sale of assets, and its syndicated line of credit available are sufficient to cover the expenses and investments needed for its operations and the servicing of its debt for the next twelve months.

THEOLIA's debts are not subject to financial rating.

4.3.2. Risks linked to debt

As of December 31, 2009, net consolidated debt reached €397.3 million (not audited), compared with €498.1 million as of December 31, 2008, and €215.3 million as of December 31, 2007, and is broken down as follows:

(in thousands of euros)	12/31/2009 (not audited)	06/30/2009	12/31/2008	12/31/2007 Restated
Financial debt	(275,000)	(348,548)	(376,686)	(346,261)
Of which non-recourse project financing (see paragraph 9.5.1)	(246,000)	(315,992)	(337,090)	(312,508)
Convertible bond	(214,000)	(211,476)	(204,223)	(195,953)
Other financial liabilities	(4,300)	(9,445)	(8,338)	(377)
Current financial assets	Not available	137	296	1,127
Cash and cash equivalents	96,000	81,762	90,823	326,197
Net financial debt	**(397,300)**	**(487,570)**	**(498,128)**	**(215,267)**

As of December 31, 2009 and 2008, financial debt broke down as follows:

	12/31/2009 (not audited)	12/31/2008
Project financing without recourse to the parent company (see paragraph 9.5.1)	(246,000)	(337,091)
Loan backed by letter of credit	(5,000)	(5,255)
Lines of credit for working capital requirements	(24,000)	(34,340)
Total financial debt	**(275,000)**	**(376,686)**

Taking account of the level of Group debt and the current financial crisis, it is specified that:

- The loans and financing contracted by the Group could become payable in full early (see paragraphs 4.3.4 and 4.3.5);
- The Group debt level could affect its ability to obtain future financing needed for its investments or external growth expenses and limit its ability to react to changes affecting its activities or the markets on which it operates (see paragraph 4.3.3);
- The competitive position of the Group could be weakened compared to less indebted competitors.

As of December 31, 2008, financial debt was as follows:

	Less than 1 year		From 1 to 5 years		More than 5 years		TOTAL	
(in thousand euros)	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest
Loans from credit institutions	138,339	20,950	96,792	55,478	141,555	32,465	376,686	108,893
Convertible bond	-	14,506	-	65,525	204,223		204,223	80,031
Debts on financing leases	-		8		-		8	-
Bank overdrafts and equivalents	4		-		-		4	-
Other financial liabilities	8,323		-		3		8,326	-
Total financial liabilities	**146,666**	**35,456**	**96,800**	**121,003**	**345,781**	**32,465**	**589,247**	**188,924**

No guarantee can be given by the Group regarding its ability to meet due repayment dates for all its debts.

4.3.3. Risks linked to obtaining new financing

In the framework of its activities, the Company develops and finances electricity generating projects. The Company finances its projects with its own funds and by debt. The external financing put in place for each project is with limited recourse for the shareholders of the Company bearing the project and structured so that the cash flows for each project are sufficient to service the debt (see paragraph 9.5.1).

The Group has noted the contraction of the credit market, the deterioration of financing terms, as well as the lengthening of time for establishing financing dossiers and the need to use “club deal” structures. These characteristics of the market for bank credits marked the second half of 2008 and lasted until 2009. On the date this reference document was registered, the Group continued to have access to financing at market terms in Italy and in Germany.

However, the uncertainty linked to a possible early repayment of the OCEANEs as of January 1, 2012 places an extra risk on the ability of THEOLIA to maintain its access to project financing.

No guarantee can be given by the Company that its available cash situation will not be affected by any external event which would have consequences for its seeking of finance, such as the changes in the credit policy of its principal bankers or a hardening of the international financial climate.

In general terms, and in particular in the current context, the Company cannot guarantee that it will be able to obtain sufficient financing or that the market conditions will be favorable to enable it to raise financing of any type (bank, fund-raising on the capital markets) needed for the development of the Company, which could have a material adverse effect on its activity, its financial situation, its results or its ability to achieve its objectives.

4.3.4. Risks linked to financing already in place

There are three types of Group financing:

- Group corporate debt: OCEANEs (see paragraph 4.3.5);
- Corporate debt in Germany: these loans are accompanied by financial covenants linked particularly to observance of the financial structure ratios of the borrower (financial debt ratio/shareholders' funds or financial debt/ EBITDA);
- Project debt: this financing is linked to the construction of wind farms (France, Germany, Morocco) and accompanied by financial covenants linked particularly to observance of cash flow ratios (cash generated by the activity/debt servicing) and financial structure (financial debt/shareholders' funds).

Non-observance of certain ratios on the closing date of the 2008 accounts has been corrected. In particular:

- In France, the operational wind farm for which the debt coverage ratio had not been observed as of December 31, 2008 had its financing restructured to ensure the consistency of the financing with the long-term wind potential of the farm;
- In Germany, on a finance line of €10 million on Natenco GmbH, the lender has been informed of the non-observance of the covenant relative to the debt ratios/shareholders' funds for Natenco GmbH for the financial period closed on December 31, 2008 because of the suspension of sales of wind farms during the period. The waiver relative to this financing was issued against a temporary increase in the credit margin and the application of a supplementary finance covenant (debt / EBITDA < 3.00x).

The Group monitors the covenants linked to the loans taken out for the financing of its wind farms very carefully:

- For an operational farm in France funded independently, the minimum half-yearly ratio for debt coverage was not respected for the first half of 2009 because of the exceptionally weak wind conditions over this period. On the basis of production levels achieved at the end of November 2009, this ratio should be respected for the second half of 2009. THEOLIA monitors this ratio attentively, as it will do for all the ratios for the farms over the months to come.
- For a wind farm in operation in Morocco the minimum half-yearly debt cover ratio was not respected for the first half of 2009 due mainly to the delay, for the first few days of the second half-year, of payments following the signature of Endorsement *[Avenant]* No.I to the contract for the supply and purchase of electricity with the ONE.

It is also emphasized that the Group is establishing, in the context of its project financing, the usual guarantees, in accordance with normal standards for this type of financing, such as liens on shares and bank accounts, disposal of credits or pledges on material and equipment.

Some financing documents envisage that the operations recently carried out by the Company in the framework of its restructuring plan (see paragraph **20.8**), i.e. the appointment of a special purpose trustee and entering into negotiations with the bondholders with a view to restructuring the OCEANEs, constitute default events. The Company has obtained waivers for these default cases from the banks concerned. For the following wind farms, the outstanding debts of which amounted to a total of €41.6 million at December 31, 2009 (figure not audited), the waivers obtained by the Company are temporary waivers, for which it has asked for extension of the waivers from the banks concerned:

- For the financing of the Centrale Eolienne des Sablons (CESA), the Company has obtained a waiver until the earlier of the dates between April 30, 2010 and the end of the special purpose trustee mandate described in paragraph **20.8**.
- For the financing of the Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF) and the Centrale Éolienne de Sallen (CESAL), the Company has obtained a waiver until the earliest of the dates between (i) March 31, 2010, (ii) the date of the meeting of bondholders due to be held in the framework of the restructuring described in paragraph **20.8** and (iii) the end of the special purpose trustee mandate described in paragraph **20.8**.

In the event that the Company is unable to obtain these waivers in good time and in good order, the bank concerned could decree the early repayment of this finance, which would cause a liquidity risk for the Group.

On the date this reference document was registered, no case of early repayment had been announced for any financing across the whole of the THEOLIA group.

In the event that one of the Group companies does not respect its obligations regarding financing, its early repayment could be ordered and would constitute a liquidity risk for the Group. The main default and repayment clauses included in the loan agreements are the following:

- Payment default for sums due for credit ;
- cross default: payment of a debt due because of a payment default on the debt of another Group company;
- the nationalization or expropriation of assets needed for the project;
- the breach of a financing document and, in particular, the inter-creditor subordination clauses and similarly, the reduction of the sureties or the invalidation of the authorizations needed for operations, etc ;
- the implementation of an enforcement measure by a creditor, such as a seizure of an asset of the company carrying out the project;
- the insolvency, dissolution, receivership or liquidation of the company carrying out the project;
- a change in regulations making continuance of the project illegal;
- the nationalization or expropriation of assets needed for realization of the project;
- construction budgetary overshoot not covered by the associates of the company supporting the project;
- the occurrence of a significant negative event ;
- the destruction of the main assets of the project;
- the non-observance of financial debt ratios ;
- the non-observance of cover ratios for debt servicing (DSCR Ratios).

The early repayment obligation for financing would render it impossible for the Company to pursue the acquisition or development of projects and could have a significantly negative effect on its activity, its financial situation, its results or its ability to achieve its objectives.

4.3.5. Risks linked to OCEANE convertible bonds

On October 23, 2007, THEOLIA issued OCEANEs maturing on January 1, 2014 after having been the object of a prospectus approved by the AMF on October 23, 2007 under the number 07-0368.

The gross proceeds of the issue were 240,000,009.60 euros, represented by 11,538,462 bonds (after exercising the extension clause and the over-allocation option) for a unit par value of 20.80 euros, resulting in a premium of 30% in comparison with the stock market price of 16 euros for the Company's shares. The net income from this issue amounted to 233,560,009.36 euros.

As of December 31, 2008, the Group had used all the cash raised by the subscription to this loan. The bonds are to be repaid in their entirety on January 1, 2014 (or the first working day if this date is not a working day) at the redemption price of 22.5430 euros, i.e. 108.38% of the par value of the bonds.

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

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

The risk of early redemption is linked to the fact that any bondholder can demand the reimbursement in advance of all or part of its bonds if they so desire:

- Either on January 1, 2012 (or the first business day following if this date is not a business day) at the early redemption price (i.e. 21.9398 euros) plus interest, i.e. a total of 253,151,548 euros;
- Or at any time, in the event of a change in control of the Company, including by merger, consolidation, reorganization or any similar transaction, at the price of early repayment plus interest.

The bondholders can also, on the decision of the bondholders' meeting, make all the bonds repayable at the early repayment price plus interest, in the following cases:

- Payment default by the Company on the due date of the interest due for each bond, if this breach is not remedied by the Company within 7 working days from this due date;

- In the case of the Company failing to perform or comply with any other obligation under the terms of to the bonds, if this failure has not been remedied within a period of 30 days from the receipt by the Company of written notification of this breach;
- In the case of failure to pay one or several other financial debts or guarantees of financial debts of the Company or of one of its principal [*NB: term used to conform to translation of convertible bond prospectus*] subsidiaries for a total amount equal to 1 million euros;
- In the case of early redemption declared following a default by the Company or by one of its principal subsidiaries relating to another financial debt of an amount greater than 1 million euros;
- In a case where the company or one of its principal subsidiaries is the subject of a conciliation proceeding or a reorganization proceeding, has become insolvent, or becomes subject to a judicial liquidation or judicial sale of its business or any other equivalent measure or proceeding [*NB: changes made to conform to translation of convertible bond prospectus*];
- In a case where the Company shares are no longer listed on the Eurolist by Euronext [*NB: formal name used*] or on a regulated market within the European Union.

Currently the Company anticipates that it will have difficulties in generating the necessary cash to enable it to meet its obligations in the case of a demand for early redemption of the entire convertible bond on January 1, 2012. The ability of the Company to redeem the bonds could be limited by law, the terms of its debt as well as by the agreements which might be concluded on this date and which could replace, be added to or modify the existing or future debt of the Company.

At the time of its press releases issued on January 29 and April 24, 2009, the Company recalled the need to restructure its capital, particularly through the restructuring of its convertible loan or by a new investor taking up its capital. One or the other of these opportunities could cause considerable dilution for the shareholders.

Conscious of these risks, the Company announced the launch of a financial restructuring plan, aimed mainly at modifying the terms of the contract for issuance of the OCEANEs. The main terms of this restructuring plan are outlined in paragraph 20.8 of this reference Document. Nevertheless, if the restructuring plan does not take place, particularly because of a refusal to approve the restructuring plan by the majority of OCEANE holders or shareholders or because of a failure to increase the capital, the Company would be confronted with an overall liquidity risk.

4.3.6. Risks linked to off-balance sheet undertakings

The main risks on the off-balance sheet undertakings are linked to the granting of pledges and guarantees by the Company and are shown in the table below:

	12/31/2008	06/30//2009
Wind turbine suppliers' guarantees	36.4 M€	36.4 M€
Pledge on money market account	9.8 M€	0
Guarantees in the environmental sector	2M€	2M€
Guarantees on lines of credit in Germany	15 M€	15M€
Guarantee of restitution of disposal price	40.8M€	0

If these undertakings are to be effected, they will materially affect the Group liquidity. Nevertheless, the guarantees given to the suppliers of wind farm equipment are limited by the establishment of financing for the wind farms concerned.

4.4. MARKET RISKS

4.4.1. Interest rate risks

The financing of wind turbine projects by the Group implies a substantial recourse to debt (65% to 90% of the cost of a project) at a fixed or variable rate. As of June 30, 2009, the net financial debt of the Group amounted to 487.6 million euros, against 498.1 million euros as of December 31, 2008. 55.5% of the financial debt as of June 30, 2009 consisted of non-recourse project financing (see paragraph 9.5.1), and 37.1% was the convertible bond.

In order to limit this risk of a significant rise in interest rates, for loan agreements in place, the Group establishes a risk coverage policy for interest rates through rate swaps. From a financial point of view, the establishment of these rate swaps allows converting loans at variable rates into fixed rate loans and guarding against fluctuations in the amount of interest to be paid for the loan agreements.

Operational wind farms benefit from long term fixed rates. In general, banks ask for cover of up to 80 to 100% of the financing amount and for its entire duration.

As of December 31, 2008, 64.7% of the total amount of loans and financial debts was at fixed rates. On the basis of the financial situation of the Group as of December 31, 2008, "sensitivity tests" were carried out with an increase of 1% in the interest rate. They show that the financial charge would increase from 1,305 thousand euros (with an impact on the before-tax results of €1,305 K) and would break down as follows:

- Loans France: +143 thousand euros,
- Loans Germany: +1,162 thousand euros.

In the absence of accounting for coverage on financial instruments, the valuation in "mark to market" of the elements of the rates coverage caused a loss of €9 M in the consolidated accounts as of December 31, 2008.

A substantial rise in interest rates could have a significantly negative effect of the profitability of future Group projects and/or the development of its wind portfolio, and more generally on the business, the financial situation, the Company results, or its ability to achieve its objectives.

The table below shows the net debt position of the Group exposed to interest rates as of December 31, 2008:

12/31/2008	Financial assets (according to accounts)		Financial Liabilities		Net exposure before cover		Rates cover instruments		Net exposure after cover	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Less than one year	53	243	43,547	94,792	-43,494	-94,549	-7,947	0	-51,441	-94,549
Between one and five years	209	15	56,032	40,760	-55,823	-40,745	0	0	-55,823	-40,745
Over five years	155	10,078	78,947	62,608	-78,792	-52,530	0	0	-78,792	-52,530
Total	417	10,336	178,526	198,160	-178,109	-187,824	-7,947	0	-186,056	-187,824

4.4.2. Exchange rate risks

The Company at the moment has little exposure to exchange rate risks in that the majority of its operations are carried out in the euro zone (France and Germany particularly). Nevertheless, THEOLIA has operations and is making investments in certain countries where it will be exposed to an exchange rate risk (Morocco, India, Brazil). Up to now the exchange rate risk is of little significance. As of June 30, 2009:

- 4.70% of its assets were expressed in a currency other than the euro
- 3.24% of its revenues were expressed in a currency other than the euro

4.4.3. Counterparty risk

The Company cannot guarantee that its financial partners will be able to fulfill their obligations to the Company in terms of coverage of the financial instruments or insurance particularly. There is therefore a risk of financial losses for the Group in a case where a counterparty to a financial instrument or an insurer fails to honor its contractual obligations.

4.5. LEGAL RISKS

4.5.1. Risks linked to exceptional events and outstanding disputes

In the normal course of its business the Group is, or may be, involved in legal, administrative or arbitration procedures. Damages are, or may be, demanded in the framework of certain of these procedures affecting the Company or Group companies. The Group estimates at this time that the nature of the known disputes or claims, or the amounts concerned, should not affect its consolidated financial situation in a significant way in the case of an unfavorable outcome.

THEOLIA has been subjected to a sanction handed down by the Sanctions Commission of the AMF on October 1, 2009, more fully described in paragraph **20.7**.

4.5.2. Risks linked to intellectual property and industrial property rights

The Company owns or validly holds user intellectual and industrial property rights, particularly of the brands and domain names which it uses in its business. The Group has implemented a systematic policy of defending its rights but cannot be certain that the measures it has taken to protect its intellectual property rights will be effective or that third parties will not counterfeit or misappropriate its intellectual property rights.

Given the importance of the recognition of the Group brands, any fraud or misappropriation of this type could have an unfavorable effect on the business, the results and the financial situation of the Group or its ability to achieve its objectives.

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4.5.3. Risks linked to legislation and its evolution

The legislation and regulations applicable to the production of electricity from renewable energy sources are currently favorable to the Group particularly because of the obligations to purchase the electricity produced imposed on the established producers/distributors, favorable purchase tariffs, green certificate systems or the mechanisms of accelerated tax amortization of an important part of the investments made.

A policy of support for renewable energy has been ongoing for the last few years in all the countries with a Group presence. In particular, the European Union regularly reiterates its desire to continue and strengthen this policy, but the Group cannot guarantee that this will continue and, in particular, that the electricity produced at its future production sites will benefit from a statutory purchasing option by the established producers/distributors, from favorable electricity purchasing tariffs, the green certificate system or other supporting measures or tax incentives for the production of electricity from renewable energy, or that these provisions will not be modified or reduced in the future. No guarantee can be given by the Company that these changes will not cause supplementary costs or that they will be in line with the development model of the Group.

The Group, as well as each of its production sites, must comply with the many strict international, national and local regulatory provisions relating to the construction of power stations and their operations. These regulations may change. A strengthening of the regulations or their implementation could cause new conditions for the business of the Group, which could possibly increase its investment expenses or its charges (notably by the implementation of procedures or checks and additional supervision) or could impair the Group's development.

In France the Company cannot guarantee that wind turbine power development areas correspond to the development projects of the Company nor that the electricity produced by all its future wind energy turbines shall again benefit from a purchasing obligation by EDF and from tax measures enabling it to obtain an exceptional amortization over twelve months.

In these conditions, no guarantee can be given that rapid or substantive modifications of national, European or international legislation will not take place in the future, which could have an unfavorable effect on the business, the financial situation and the results of the Company or its ability to achieve its obligations.

4.6. INSURANCE AND RISK COVERS

The Group has established a policy for covering the principal risks linked to its activities which are capable of being insured, subject to the usual excesses or exclusions imposed by the market. In this sense, the Group has paid a sum of 1,580 thousand euros in insurance premiums during the 2009 financial period, compared to 1,295 thousand euros during the 2008 period. Nevertheless, no guarantee can be given that the insurance policies of the Group are or will be sufficient to cover any losses resulting from an important drop in the Group's electricity production due to damage to several generating stations, an absence of replacement possibilities, the time needed to carry out such repairs or replacement, or the consequences of a court case initiated by a third party. If the Group was confronted with substantial uninsured damage, or this significantly exceeded the threshold of the damages covered, the corresponding costs could have a significant negative effect on the business, the financial situation or the results of the Group.

The insurance policies subscribed by the Group companies which have benefited from loans are systematically audited in the context of the financing in place.

The insurers carry out an annual review of their insurance policies, and the insurance premiums may increase. If there is a large increase, the Group might not be able to retain insurance cover similar to that existing, or could retain it but at a significantly higher cost, which could have a significantly negative effect on its business, its financial situation or its results.

Through the insurance company AIG Europe (Chartis), the company benefits from civil liability insurance in the construction phase and professional civil liability insurance which covers the companies of the Group in France against the pecuniary consequences of civil liability which they could incur due to bodily injury, property damage and consequential losses resulting from their activities. This cover functions especially in the event of losses caused to others due to the companies covered by the insurance contract or because of persons or things in their care.

The Company has taken out a company officers' civil liability insurance policy with the company CNA.

The Company subscribes to insurance policies for its energy generating stations during their construction stage and also during their operational stage.

Thus at the construction stage of its projects, the Company subscribes to the following insurance policies:

- an insurance covering the various onsite risks i.e. “All Construction Risks”: For the construction period until acceptance of the works, this insurance covers all those involved in the construction, including the financing body, where appropriate, and covers material damage, including fire, machine breakdown, explosions affecting the works (materiel and civil engineering) and financial losses following material damage or a breakdown;
- “Transport” insurance: In certain cases, the Company chooses to also subscribe to a “Transport” insurance consisting of a guarantee for material damage to goods transported which constitute “strategic” transportation because of the importance of the consequences on the good performance of the worksite and any resulting financial losses;
- “Damage to works” insurance.

In addition, the Group subscribes to new insurance policies when the operational stage starts. These notably cover fire and associated risks, machine breakdowns, operating losses, civil liability for operations and natural disasters.

The Group benefits from the contractual guarantees subscribed by its sub-contractors guaranteeing against any disturbances and damage for which the builders are responsible.

The Group generally benefits from contractual guarantees given by the makers of the turbines equipping its wind farms, covering damage suffered because of the defective functioning of these parts (guarantees of availability covering operating losses linked to non-availability as well as broken spare parts).

5. INFORMATION CONCERNING THE ISSUER

5.1. HISTORY AND EVALUATION OF THE COMPANY

5.1.1. Corporate title

The company is registered under the name THEOLIA.

5.1.2. Commercial and companies register

The Company is entered in the commercial and companies register of Aix-en-Provence under the number 423 127 281.

The APE code number of the Company is 3514Z (Distribution and trading of electricity) and its SIRET number is 423 127 281 00057.

5.1.3. Date of incorporation and period

The Company was entered in the commercial and companies register of Aix-en-Provence on June 7, 1999.

Its corporate duration is fixed at 99 years from the date of its registration in the commercial and companies register, except in cases of dissolution or extension.

5.1.4. Registered office, legal form and applicable law

The registered office of the Company is at 75 rue Denis Papin, BP 80 199, F – 13 795, Aix-en-Provence, Cedex 3, and its telephone number is +33 (0)4 42 904 904.

THEOLIA is constituted in the form of a limited liability corporation with a Board of Directors.

The Company is subject to French law.

5.1.5. History of the Company

1999	Creation of PMB Finance which would become THEOLIA in 2002
July 2002	Listing of THEOLIA on the over the counter market of the Paris stock exchange
May 2005	Acquisition of Ventura, a French wind project development company
July 2005	Signature of the first project financing contract for an amount of 66 million euros from the Royal Bank of Scotland
January 2006	First acquisition outside France. THEOLIA acquires two operational wind turbines in Germany for a total installed capacity of 14 MW
February 2006	THEOLIA subscribes to the capital increase of the company Energo in the amount of 1,983,450 euros. Energo becomes Thenergo
	THEOLIA contributes its environmental business (consisting of the companies Sodetrex, Ecoval 30 and A+O) dealing in the triple-composting of household waste and design/building of treatment units for the treatment of residual urban and industrial water to the Swiss law company Granit.
April 2006	Appointment of Jean- Marie Santander as President and Chief Executive Officer of THEOLIA
July 31, 2006	First day of listing of THEOLIA shares on the Eurolist of Euronext Paris, compartment B
September 2006	Unwinding of the operation with Granit leading to the sale by THEOLIA of the Granit shares which it held and to the discharge of the current account held by THEOLIA in the Granit accounts. THEOLIA becomes the owner of its environmental division.
December 2006	Acquisition of Natenco which has wind business in Germany, in India, in Brazil and in the Czech Republic
February 2007	Signing of a partnership agreement with GE Energy Financial Services with a view to acquiring 165 MW in operation in Germany
June 2007	Listing of Thenergo on Alternext, followed by a capital increase of 65 million euros
July 2007	Confirmation of the agreement with GE Energy Financial Services. The stake of GE Energy Financial Services in THEOLIA amounts to 17.03%
September 2007	Creation of Theolia Emerging Markets for the development of wind projects in emerging countries
	Listing of THEOLIA in the SBF 120 index
October 2007	Issuance of convertible bonds (OCEANEs) for an amount of 240 million euros
November 2007	Acquisition of the Maestrale Green Energy group, developer of wind projects in Italy, with a portfolio of 500 MW of projects
	Purchase of a 35.21% stake in Ecolutions, a German company specializing in the trading of carbon credits
January 2008	Acquisition of the *Compagnie Eolienne du Détroit* which has right of use of a 50.4 MW wind farm in operation in Morocco
	Listing of THEOLIA on the Next 150 index of NYSE Euronext
August 2008	Listing of Thenergo on Euronext Paris and Bruxelles (compartment C)

September 2008	Changes in Group management: resignation of Jean-Marie Santander from his offices of Chairman and Chief Executive Officer. Appointment of Eric Peugeot as Chairman of the Board of Directors and Marc van't Noordende as Chief Executive Officer Listing of THEOLIA in the CAC MID100 index of NYSE Euronext
December 2008	Sale of THEOLIA's stake (24.02%) in Thenergo
January 2009	The new management announced the establishment of a program to sell more than 200 MW of wind projects and assets in France, Germany and Spain and the decision to close or sell the businesses in Spain, Greece, the Czech Republic, Poland, Croatia and Canada
May 2009	Appointment of Olivier Dubois as Chief Financial Officer
June 2009	Sale of a portfolio of 32 MW of wind projects in France
August 2009	Sale of a portfolio of 100.6 MW of wind farms and projects in Germany
October 2009	Sale of a wind project of 9.2 MW in France
December 2009	Announcement of the signature of agreements with the principal holders of OCEANEs
December 2009	Sale of a 47 MW portfolio in France

5.2. INVESTMENTS

5.2.1. Main group investments made over the last three financial years

5.2.1.1. Main investments made during the period closed on December 31, 2006 (18 months)

Natenco

In December 2006 the Company acquired the Natural Energy Corporation group ("Natenco") for a gross price of 105 million euros.

At the time of acquisition, its principal business was the development, construction and operating of wind farms for third parties. At the end of 2006, Natenco had a wind portfolio consisting of more than 140 MW managed on behalf of third parties and 25.6 MW on its own behalf.

Natenco also decided to develop its know-how on the international level, with the creation of subsidiaries in France, Benelux, Greece, the Czech Republic, Brazil and India.

Theolia Deutschland GmbH

THEOLIA, on behalf of its subsidiary Theolia Deutschland GmbH, acquired on January 16, 2006 two wind farms in operation in Germany with a total installed capacity of 14 MW:

- The Ladbergen unit, with an output of 6 MW, in service since October 2005,
- The Saerbeck unit, with an output of 8 MW, in service since May 2006.

These investments represented a cost of 16.2 million euros for 14 MW divided between shareholders' equity (about 20%) and senior debt financing (about 80% contracted from banks).

On behalf of its subsidiary Theolia Deutschland GmbH, THEOLIA acquired a wind farm of 6 MW in the state of Brandenburg on March 17, 2006. The Werbig project was built and commissioned for THEOLIA at the end of 2006 by the company BEC, at an investment cost of 9.4 million euros. This sum was financed by 8.5 million euros of debt while the balance came from shareholders' equity.

Energo/Thenergo

At the general meeting of February 24, 2006, Energo proceeded with a capital increase essentially reserved for THEOLIA, which subscribed the sum of 1,983,450 euros. The meeting also decided to change the name Energo to Theolia Benelux. This company later became Thenergo.

By a deed of May 22, 2006, THEOLIA bought the shares held by the minority shareholders not including AEK. The capital of Theolia Benelux was then held in the following manner:

- THEOLIA SA (France): 91.01%
- Former Energo shareholders: 3.43%
- AEK: 5.56%

It is to be noted that in December 2008, THEOLIA sold its entire stake in Thenergo (i.e. 24.02% of the capital taking account of the various capital increases made since May 2006) to Hestiun Limited for the amount of 15 million euros.

Theolia Iberica

On behalf of its subsidiary Theolia Iberica, THEOLIA acquired 3 wind projects in Almeria on April 14, 2006, (totaling 29 turbines) with total output raised to 58 MW. This operation has a building permit expunged of all claims. The cost of this investment is 9.68 million euros financed from shareholders' equity.

5.2.1.2. Main investments made during the financial period closed on December 31, 2007

Partnership with GE Energy Financial Services

On February 13, 2007, THEOLIA and GE Energy Financial Services signed a strategic partnership agreement, approved at an extraordinary general meeting on June 29, 2007 and concluded on July 2, 2007.

This agreement included, particularly, the acquisition by THEOLIA of wind farms from GE Energy Financial Services situated in Germany and with a total installed capacity of 165 MW. The purchase was made in the form of a contribution in kind. GE Energy Financial Services received 5,250,000 new THEOLIA shares as remuneration for its contributions.

GE Energy Financial Services also subscribed to a limited capital increase of 20 million euros in exchange for 1,212,000 new ordinary shares with a par value of one euro each, issued at a subscription price per share of 16.50 euros. In addition, THEOLIA issued 3,000,000 equity warrants in favor of GE Energy Financial Services, divided into two tranches of 1,500,000 BSA, one tranche having a strike price of 16.50 per warrant and the other of 17.50 euros per warrant.

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

Following this agreement, GE Energy Financial Services obtained two seats on the Board of Directors of THEOLIA. The general meeting of THEOLIA shareholders on June 29, 2007 approved the appointment of two directors.

It is noted that on December 19, 2008, GE Energy Financial Services transferred its THEOLIA shares to Gama Enerji, one of its subsidiaries. Because of this, the two directors representing GE Energy Financial Services on the THEOLIA board resigned.

Acquisition of the company Maestrale Green Energy in Italy

On November 22, 2007, THEOLIA completed the acquisition of an Italian developer, the Maestrale Green Energy group. This acquisition was signed for a price of €6,761,372, to which will be added some earn outs as and when achievements of certain stages in the progress of the projects are achieved. The Maestrale Green Energy order book represented 500 MW on the day of acquisition, all located in Italy. The acquisition was financed out of shareholders' equity.

The Maestrale Green Energy [order book] [pipeline?] contains 14 projects. Out of these projects, 5 are at the final stage of obtaining the permits and agreements. The 9 other projects are in the first development stages.

Taking a stake in Ecolutions, a German company

On November 16, 2007, through its subsidiary Theolia Emerging Markets (TEM), the group took a stake of 35.21% in the capital of the German company Ecolutions, specializing in carbon credits trading. The acquisition was financed out of shareholders' equity. The amount of the transaction was not communicated, in line with the contractual undertakings with the sellers.

Ecolutions invests in renewable energy projects in India and China, which permit the generation of carbon credits or emission reduction certificates. This company deals with the trading of these instruments on behalf of the companies it has invested in.

Acquisitions by Natenco GmbH in Germany

In the framework of its wind project purchases and sales, the company Natenco GmbH has acquired certain projects which, because of their particular configuration (power, profitability, geographic synergies, etc.) will be retained and not resold.

The installed output acquired in this way amounts to 20.5 MW for the year 2007. The wind farms are located in Brandenburg and Rhineland-Palatinate.

Commissioning of wind farms in France

During the 2007 financial period, the company Ventura, a subsidiary of THEOLIA France, specializing in the development and construction of wind farms, completed the construction of three wind farms with a total output of 23.5 MW:

- The Centrale Éolienne de Sablons, 10 MW commissioned on May 25, 2007,
- The Centrale Éolienne de Moulin de Froidure, 12 MW commissioned on December 5, 2007,
- The Centrale Éolienne des Plos, 11.5 MW commissioned on December 18, 2007.

The overall investment amounts to 44.4 million euros. The wind farms are about 20% financed by bank debt.

Overall in 2007 the Group acquired 185.5 MW in operation in Germany and commissioned 33.5 MW in France, bringing its installed capacity to 283.1 MW.

5.2.1.3. Main investments made during the period closed on December 31, 2008

Acquisition of the Compagnie Eolienne du Détroit in Morocco

On January 4, 2008 the Company, through Theolia Emerging Markets, for 45 million euros financed from shareholders' equity, acquired 100% of the shares of the Compagnie Eolienne du Detroit (CED) in Morocco, which signed the following agreements on October 2, 1998 with the Office National d'Electricité du Maroc (ONE):

- Contract for transfer of usage, transferring to CED the rights of use relating to a wind farm including 84 turbines for a total installed capacity of 50.4 MW, commissioned in 2000 and located at Tetouan;
- A contract for the supply and purchase of electricity, establishing the terms and repurchase conditions by the ONE of all the electricity produced by the farm.

As from August 30, 2010, the ONE can, at any time and if economic circumstances require, cancel the supply and purchase contract for the electricity. In this case the ONE must pay CED compensation on the order of 12-13 million euros in 2010, then decreasing gradually over the next few years, in line with the contractual terms. It is emphasized that the early cancellation of the supply and repurchase contract for electricity automatically causes cancellation of the transfer of usage agreement. For example, the revenue of CED represents 3% of the revenue of the Group at June 30, 2009. Negotiations with the ONE are currently ongoing concerning the possibility of developing further projects in Morocco.

Commissioning of an 8 MW wind farm in France

In December 2008, THEOLIA commissioned the Centrale Eolienne de Sallen, located in the Calvados, in Normandy. The development of this project started in March 2002. The building permit, applied for in June 2004, was obtained in July 2005. Construction work started in December 2007.

Acquisition of two wind farms in France

During the first quarter of 2008, in the context of a letter of agreement with the former partners/founders of Natenco SAS, a group subsidiary, THEOLIA acquired two wind farmsin the north of France: Bel Air and Plateau. Each park has an installed capacity of 6.9 MW in operation. These wind farms were built by Natenco SAS on behalf of third parties, which were unable to raise the necessary shareholders' funds for servicing current loans. The Group therefore obtained ownership of these wind farms for the amount of the current accounts, that is to say the shareholders' funds invested in these two farms. This is therefore an acquisition from Group shareholders' equity for an amount equivalent to the shareholders' equity needed for the financial structuring of these units.

As from mid-2008, the Group experienced strong pressures on its cash position, resulting from an ambitious strategy of external growth, the absence of sales of wind farms in Germany and the financial crisis. This situation limited the investments carried out during the period. The investments made mainly concern the advancement of wind projects in the course of development in France and Italy, as well as the acquisition of two projects in France and three projects in Italy.

5.2.2. Main Group investments during for 2009

Increase of the stake in Theolia Emerging Markets

THEOLIA SA repurchased shares in Theolia Emerging Markets held by Jean-Marie Santander. This transaction was carried out at the par value of the shares, i.e. 10 million Dirhams financed out of shareholders' equity.

The conditions precedent included in the agreement signed at the end of 2008 were discharged on January 14, 2009. Since that date, the Group holds 95.24% of the shares of Theolia Emerging Markets, as compared with 47.62% before.

As announced in the press release of November 17, 2008, the listing of Theolia Emerging Markets on the stock exchange has been cancelled.

Continuation of investments in the development of wind projects

Since October 2008, the Group has made several initiatives in order to re-establish its available funds: renewing sales of operational wind farms in Germany, disposal of some non-wind entities, sales of wind farms and projects in France and Germany, and reduction of staff and structural costs. In consequence, the net change in the cash position over the first half-year of 2009 was markedly less high than in the course of the whole of the 2008 period (-9,099 thousand euros compared with –233,567 thousand euros).

The Group is focused on maintaining this positive trend, particularly through the implementation of its divestment plan for non-wind activities on the one hand, and its disposal program for 234 MW of wind farms and projects in France, Germany and Spain on the other hand.

These efforts enable the Group to pursue, in parallel, its investments in new wind projects in the context of its new strategy in order to ensure its future and to increase shareholder value. The investments made particularly concern the advancement of wind projects being developed in France and Italy.

As of December 31, 2009, the projects under development by the Group were allocated as follows:

(in MW)	Prospecting	Development	Permits applied	Permits obtained	Under construction	Total (1)	
Europe							
France	841	270	62	33*	-	1,206	60 %
Italy	85	90	171	75*	27	448	22 %
Germany	48	9	27	6*	4	94	5 %
Rest of the world							
India (2)				152	13	165	8 %
Brazil	100					100	5 %
Total	1,074	369	260	266	44	**2,013**	
	54 %	18 %	13 %	13 %	2 %		

(1) The portfolio above does not take into account the projects for which the building permit has been refused or which are currently subject to an appeal by the Company
(2) Joint-venture 50/50; figures given on a 50% basis.
*Permits expunged of all claims

In total, the portfolio of wind turbine projects under development by the Group amounts to 2,013 MW as of December 31, 2009. This capacity reflects the actual ratio of the stake held in the project by the Group (this calculation of the actual holding of the project has had the consequence of excluding the share not held by the group, for a total of 250 MW), excluding the projects for which an appeal has been made (225 MW) and those which were disposed of during the period (90 MW (non-audited figure)).

5.2.3. Main investments planned or subject to firm undertakings by the management bodies

During the second half-year of 2009, the Group continued its investments in its projects under development, as shown in the table above.

The Group reserves the possibility, where necessary and to the extent of its financial capacity, to proceed with strictly selectedexpansion opportunities, concerning mainly the acquisition of projects which would contribute to the acceleration of its development.

In the framework of its trading activity in Germany, the Company communicated on January 19, 2010 an objective of 100 MW of permits acquired and capacity sold in 2010.

6. SUMMARY OF ACTIVITIES

6.1. GENERAL COMPANY PRESENTATION

Founded in 1999, listed on the over the counter market in 2002 and listed on Eurolist since July 31, 2006, THEOLIA is an independent international actor in the wind energy sector: the Group develops, builds, operates and sells wind farms.

(in thousands of euros)		First nine months 2009	First nine months 2008	12/31/2008	12/31/2007 Published	12/31/2007 restated IFRS 5
Wind activities	Sale of electricity for own account	37,157	39,930	55,540	26,883	26,883
	Sale of electricity on behalf of third parties	26,102	32,882	43,454	27,028	27,028
	Construction - Sales of wind farms to third parties	168,023	9	(18,236)	218,423	218,423
Non-wind activity		1,435 (1)	3,252 (1)	(10,802)	34,147	15,800
Consolidated Revenue		**232,717** (1)	**76,072** (1)	**69,956**	**306,481**	**288,134**

(1) Restated in accordance with application of the IFRS 5 standard on the activities which have been discontinued or are in the course of being sold.

The Group selects its geographic sites of implementation according to their potential for growth and their legal and regulatory policy on renewable energy.

Thus, THEOLIA concentrates its activities in three of the four most dynamic markets or those with a well-developed wind farm system in Western Europe: France, Italy and Germany.

In addition, the Group has established positions in certain targeted emerging countries (Morocco, India and Brazil), which are considered as potential growth areas.

This geographical diversification allows the Group to manage its exposure to the risks linked to weather conditions and to regulatory risks.

As of December 31, 2009, THEOLIA's wind portfolio stood at 2,793 MW, of which 319 MW in operation for its own account, 461 MW managed on behalf of third parties and 2,013 MW of projects under development.

The installed capacity of the Group was distributed as follows as of December 31, 2009. The MW held for its own account are expressed in net capacity according to the percentage interest of THEOLIA in each project support company.

(in MW)	MW held for own account	MW managed for third parties	Total
France	73	35	108
Germany	195	426	621
Morocco	50	-	50
Total	319	461	780

The Group's projects under development were split as follows as of December 31, 2009 (1):

(in MW)	Prospecting	Development	Permits applied	Permits obtained	Under construction	Total (1)	
Europe							
France	841	270	62	33*	-	1,206	60 %
Italy	85	90	171	75*	27	448	22 %
Germany	48	9	27	6*	4	94	5 %
Total Europe	974	369	260	114	31	1,748	
	56%	21%	15%	7%	2%		
Rest of the world							
India (2)				152	13	165	8 %
Brazil	100					100	5 %
Total	1,074	369	260	266	44	**2,013**	
	54 %	18 %	13 %	13 %	2 %		

(1) The portfolio above does not take into account projects for which the construction permit has been refused or for which the decision is currently being appealed by the Company.

(2) 50:50 joint venture; figures shown based on 50%.

* Permits cleared of recourse to third parties.

In total, the pipeline of wind projects of the Group amounts to 2,013 MW as per December 31, 2009. This capacity reflects the actual Group ownership in the projects (this calculation of the actual ownership of the projects has the result of excluding the shares not held by the group, for a total of 250 MW), excludes projects for which an appeal is underway (225 MW), and those that have been sold during the period (90 MW (figures not audited)).

On average, the Group believes that a period of 4 to 7 years is necessary from the initial prospecting of the development site to the commissioning of a wind farm, even if some differences are generally noticed from one country to another, taking into account the rules in force in each country. Each stage of the development is decisive and involves risks, in particular obtaining the construction permit or the financing. However, the Group's projects are developed with the greatest of care, in collaboration with the services of the state and the local authorities, in cooperation with the local residents. The Group also has a wide range of operational experts at its disposal, specialists in each of the development stages.

The Group's areas of expertise cover the whole value chain of the wind energy sector: from the identification of the sites to the operational management of the farms built, via the process of obtaining construction permits and other authorizations, the selection of the most appropriate turbines for each site, the establishing of financing, the project management and the construction and sale of the farms in operation.

Market conditions are currently favorable to wind energy in the Group's sites of implementation. The national and international policies support the development of renewable energies and the Group believes this favorable context is likely to remain intact over the next few years.

6.2. MARKET AND COMPETITIVE POSITION

6.2.1. The global wind energy market

The global wind energy market is rapidly expanding: between 2004 and 2008, the number of MW installed each year has been growing on average by 36.4%.

The following table shows the evolution of the aggregate installed capacity and of the capacity installed annually in the world since 2004:

	MW installed globally over course of year	Annual growth (in %)	Aggregate worldwide installed capacity at year-end	Annual growth (in %)
2004	8,154		47,912	
2005	11,542	42 %	59,399	24 %
2006	15,016	30 %	74,306	25 %
2007	19,791	32 %	94,005	27 %
2008	28,190	42 %	122,158	30 %
Average growth over 5 years		**36.4 %**		**24.8 %**

Source: BTM Consult APS March 2009.

As of December 31, 2008, the main countries in terms of aggregate installed wind energy capacity were the United States, Germany, Spain, China, India, Italy and France.

The following table shows the ten main countries worldwide in terms of installed wind energy capacity (in gray, the countries where THEOLIA is present):

	Aggregate installed capacity at year-end 2007	MW installed in 2008	% of capacity installed in 2008 in the world	Aggregate installed capacity at year-end 2008	% of aggregate installed capacity worldwide
United States	16,879	8,358	29.6 %	25,237	20.7 %
Germany	22,277	1,665	5.9 %	23,942	19.6 %
Spain	14,714	1,739	6.2 %	16,453	13.5 %
People's Republic of China	5,875	6,246	22.2 %	12,121	9.9 %
India	7,845	1,810	6.4 %	9,655	7.9 %
Italy	2,721	1,010	3.6 %	3,731	3.1 %
France	2,471	1,200	4.3 %	3,671	3.0 %
United Kingdom	2,394	869	3.1 %	3,263	2.7 %
Denmark	3,088	71	0.3 %	3,159	2.6 %
Portugal	2,150	679	2.4 %	2,829	2.3 %
TOTAL	**80,414**	**23,647**		**104,061**	
% of installed capacity worldwide	**85.5 %**	**83.9 %**		**85.2 %**	

Source: BTM Consult APS March 2009.

These ten main countries account for more than 85% of the installed capacity in the world. With 65,971 MW installed at year-end 2008, Europe is the main wind market in the world, in front of the Americas (28,918 MW) and Asia (22,174 MW).

THEOLIA, developer and operator of wind farm projects in Western Europe, is present in three of the four most dynamic countries or those that already have a well-developed wind farm in Western Europe: Germany, Italy and France.

6.2.2. Growth prospects

The world wind energy market shows attractive growth prospects. The potential for development of the wind energy sector in the world for the years 2009 to 2013 is illustrated in the following table (in gray, the countries where THEOLIA is present):

	Aggregate installed capacity at year-end 2008	Capacity installed in 2008	Forecasts 2009-2013 (including offshore)					Capacity installed between 2009 and 2013	Aggregate installed capacity at year-end 2013
			2009	2010	2011	2012	2013		
United States	25,237	8,358	6,000	8,500	10,000	13,000	14,500	52,000	77,237
Canada	2,371	526	1,000	1,200	1,500	2,000	2,500	8,200	10,571
Rest of the Americas	1,310	643	650	750	950	1,200	1,300	4,850	6,160
Total Americas	**28,918**	**9,527**	**7,650**	**10,450**	**12,450**	**16,200**	**18,300**	**65,050**	**93,968**
Germany	23,933	1,665	1,600	1,800	2,400	2,500	3,000	11,300	35,233
Spain	16,453	1,739	2,000	2,000	2,500	2,000	2,500	11,000	27,453
France	3,671	1,200	1,600	1,800	2,100	2,500	2,700	10,700	14,371
United Kingdom	3,263	869	1,600	2,000	2,200	2,500	2,800	11,100	14,363
Italy	3,731	1,010	1,100	1,200	1,500	1,500	1,500	6,800	10,531
Portugal	2,829	679	900	1,000	1,000	1,000	1,200	5,100	7,929
Denmark	3,159	71	325	300	100	500	150	1,375	4,534
Netherlands	2,222	499	250	300	250	400	400	1,600	3,822
Rest of Europe	6,710	1,447	2,205	3,105	3,850	5,180	5,900	20,240	26,950
Total Europe	**65,971**	**9,179**	**11,580**	**13,505**	**15,900**	**18,080**	**20,150**	**79,215**	**145,186**
People's Republic of China	12,121	6,246	7,300	7,500	8,500	9,000	10,500	42,800	54,921
India	9,655	1,810	2,100	2,500	3,500	3,750	4,000	15,850	25,505
Rest of Asia	398	145	250	300	400	650	800	2,400	2,797
Total Asia	**22,174**	**8,201**	**9,650**	**10,300**	**12,400**	**13,400**	**15,300**	**61,050**	**83,224**
Total OECD Pacific	**4,256**	**1,051**	**1,100**	**1,350**	**1,600**	**1,900**	**2,250**	**8,200**	**12,456**
Rest of the world	**840**	**232**	**645**	**1,035**	**1,470**	**1,810**	**2,520**	**7,480**	**8,320**
New capacity installed per year		**28,190**	**30,625**	**36,640**	**43,820**	**51,390**	**58,520**	**220,995**	**343,153**
Aggregate installed capacity at year-end	**122,158**								**343,153**

Source: BTM Consult APS March 2009.

The aggregate installed capacity worldwide should exceed 343,000 MW by the end of 2013, i.e. close to triple the capacity as of the end of 2008. The capacity installed annually in the world should also grow at a fast rate, with significant differences between the regions and the countries.

Europe, key market of THEOLIA, should maintain its most significant market position with more than 145,000 MW installed as of year-end 2013.

6.2.3. Growth factors

The growth of the wind energy market is mainly supported by the needs of the various countries to secure their energy supply, the rise in environmental concerns and significant technological progress.

Security of energy supply

The worldwide demand for energy is rapidly increasing, which will necessitate significant investments in new capacity for electricity production and in grid infrastructures. In contrast, the supply of conventional fossil fuels is restricted and uncertain, certain fuels being increasingly difficult to extract, and the prices of the materials are volatile, in particular those of petroleum. Thus, the non-oil producing states, anticipating long-lasting tensions on the price of a barrel, are seeking to reduce their energy dependence in relation to fuels imported at fluctuating prices, sometimes coming from areas where conflicts and political instability threaten the security of the supply, which encourages them to accelerate the development of renewable energies.

As such, wind energy offers numerous advantages. It is always available and comes from a “free” raw material, wind. It follows foreseeable and anticipated production rates at prices set beforehand.

Furthermore, wind farms can be deployed more rapidly than conventional electricity production units. The construction of a major conventional electricity production unit can take more than ten years on average, and it will only start to produce electricity as from the complete commissioning of the power plant. On the contrary, a wind farm can be built within much shorter time-frames and will be able to produce electricity as soon as the first wind turbine has been connected to the grid.

Increase in environmental concerns

Safeguarding the environment has today become a major concern across the world. The increasing awareness of environmental issues among private individuals and authorities has favored the development of renewable energies.

Wind energy produces “clean” electricity, without carbon dioxide emissions during its operation. Thus, it contributes to the reduction of greenhouse gas emissions. As with the other sources of renewable energy, this technology is based on the use of natural forces. It has no negative effect on the quality of the air, contrary to conventional fossil fuels, and uses almost no water for its operation. Finally, it does not produce waste that is difficult to store, entailing risks for future generations.

Wind energy is one of the most environmentally respectful technologies. Its visual and noise impacts, as well as its effects on the local fauna and flora are precisely measured at the initial stages of development of the wind farm projects. Attention is drawn to the fact that significant progress has been made these last few years to improve performance in these areas, in particular regarding the location of the farms and the design of the turbines.

Technological progress

The significant technological innovation from which the wind industry has benefited over the last few years has led to a big reduction in the costs of supply and to a significant improvement in the efficiency of the materials. The turbines are increasingly reliable and efficient. These factors contribute to the development of the renewable energies.

6.2.4. The main turbine suppliers in the world

The worldwide market of turbine suppliers remains very concentrated. In 2008, the ten main suppliers of turbines produced more than 84% of the capacity produced in the world over the course of the year. This figure stood at more than 96% in 2004. The following table shows the ten main turbine suppliers in the world:

	Aggregate capacity produced at year-end 2007	Capacity produced in 2008	In % of capacity produced in 2008	Aggregate capacity produced at year-end 2008
VESTAS (Denmark)	29,508	5,581	17.8 %	35,089
GE WIND (United States)	12,979	5,239	16.7 %	18,218
GAMESA (Spain)	13,306	3,373	10.8 %	16,679

	Aggregate capacity produced at year-end 2007	Capacity produced in 2008	In % of capacity produced in 2008	Aggregate capacity produced at year-end 2008
ENERCON (Germany)	13,770	2,806	9.0 %	16,577
SUZLON (India)	4,724	2,526	8.1 %	7,250
SIEMENS (Denmark)	7,002	1,947	6.2 %	8,949
SINOVEL (China)	746	1,403	4.5 %	2,148
ACCIONA (Spain)	1,671	1,290	4.1 %	2,961
GOLDWIND (China)	1,457	1,132	3.6 %	2,589
NORDEX (Germany)	3,886	1,075	3.4 %	4,960
Others	11,269	4,955	15.8 %	16,225
TOTAL	**100,317**	**31,326**	**100 %**	**131,644**

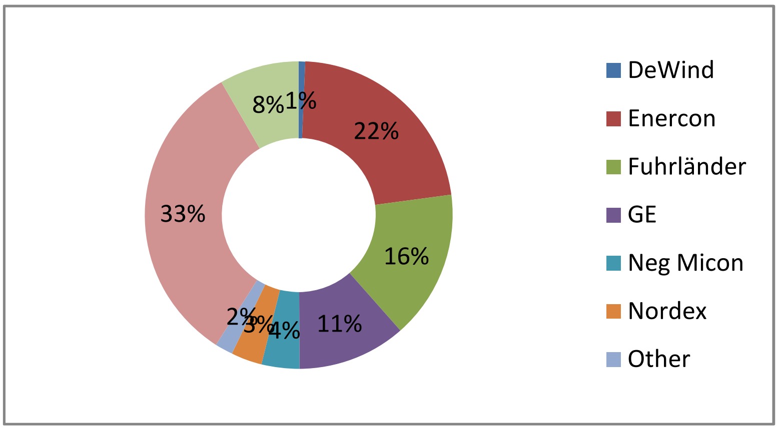
Source: BTM Consult APS March 2009.

For its turbine supplies, the Group favors a case-by-case approach in which the turbines are selected for each site in order to optimize the performance according to the characteristics of the site. This approach promotes increasing the number of suppliers and placing them in competition.

The Company has not concluded a framework agreement for its turbines supplies and is therefore not restricted by significant commercial and financial commitments in the long-term. However, this policy exposes the Group to a risk of supply and/or of price (see paragraph 4.1.11)

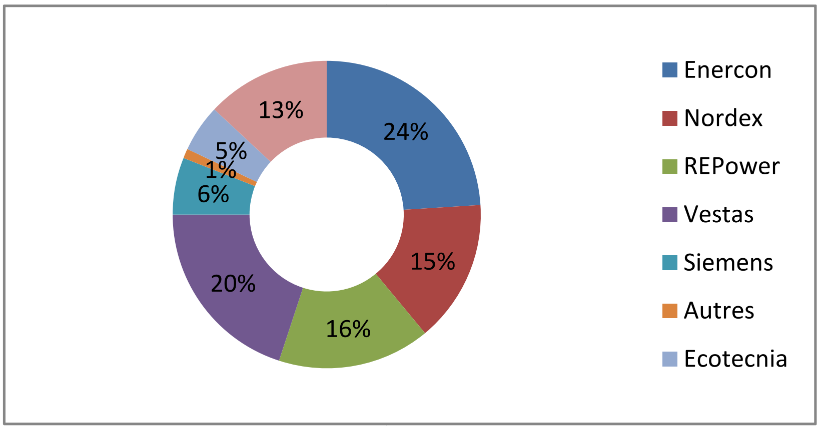
Across the whole of the Group's installed base (i.e. 780 MW for its own account and for third parties as of December 31, 2009), REPower was the main turbine manufacturer represented with 33% of the MW installed, Enercon, Fuhrländer and GE following with 22, 16 and 11% respectively of the MW installed.

The following chart shows the division of the turbines installed for the whole of the installed capacity of the Group at June 30, 2009:



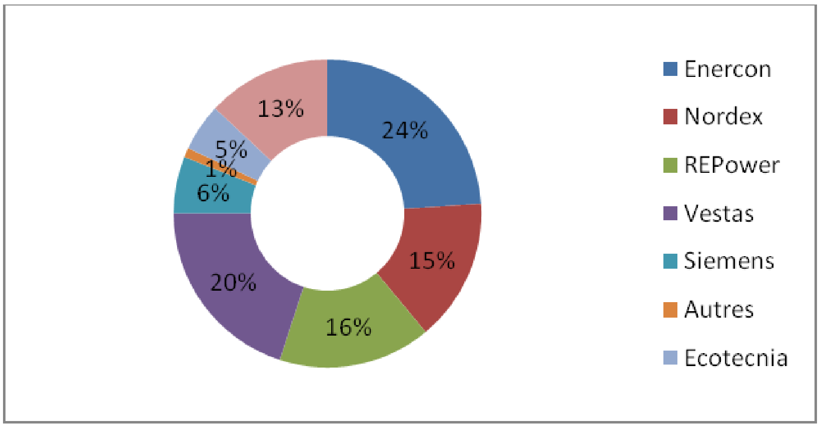
In France and in Germany, the market shares of the turbine suppliers are divided in the following manner:

Market shares of the turbine suppliers in France in 2008



Source: BTM Consult APS March 2009.

Market shares of the turbine suppliers in Germany in 2008



Source: BTM Consult APS March 2009.

6.2.5. The main wind farm operators in the world

The fifteen main wind farm operators in the world are divided in the following manner (at end of March 2009)

	Total installed capacity at year-end 2008 (in MW)	Rank	Market share
Iberdrola Renovables (Spain)	8,960	1	7.3 %
FPL Energy (United States)	6,374	2	5.2 %
EDP Renovaveis (Portugal)	5,052	3	4.1 %
Acciona Energy (Spain)	4,566	4	3.7 %
Long Yuan Electric Power (China)	2,924	5	2.4 %
Datang Corporation (China)	2,154	6	1.8 %
EDF Energies Nouvelles (France)	2,031	7	1.7 %
Endesa (Spain)	1,925	8	1.6 %
E.ON Climate and Renewables (Germany)	1,890	9	1.5 %
Eurus Energy (Japan)	1,722	10	1.4 %

	Total installed capacity at year-end 2008 (in MW)	Rank	Market share
Babcock Brown Windpartners (Australia)	1,530	11	1.3 %
MidAmerican Energy (United States)	1,284	12	1.1 %
International Power (United Kingdom)	1,223	13	1.0 %
AES (United States)	1,213	14	1.0 %
Cielo Wind Power (United States)	1,148	15	0.9 %
TOTAL	**43,996**		36 %

Source : BTM Consult APS March 2009.

The 43,996 MW operated by the 15 main wind farm operators in the world represent 36% of the worldwide installed capacity at year-end 2008.

The main competitors of the Group are historical European electricity producers and/or distributors, such as Iberdrola Renovables, Acciona, EDF Energies Nouvelles, Endesa or EDP Renovaveis, as well as American utilities such as FPL Energy, and Chinese utilities.

Within this market, THEOLIA offers the dual advantages of being one of the rare independent actors which is not constrained, like companies belonging to conventional energy producing groups, by the obligation to achieve a certain level of green energy, and of being a *pure player* in the wind energy sector, the Group having started a program to sell its non-wind activities.

6.3. LEGISLATIVE AND REGULATORY ENVIRONMENT

6.3.1. Internationally

Greenhouse gas emissions are implicated in global warming. Since renewable energies contribute to the reduction of these emissions, the renewable energies market should see significant growth, supported by a favorable legislative and regulatory environment.

The protection of the environment and the reduction of greenhouse gases are benefiting from a growing political will. Several treaties have thus been ratified with a view to putting environmental measures in place.

In June 1992, during the Earth Summit in Rio de Janeiro under the aegis of the United Nations, in the presence of about a hundred heads of state and of government and more than 1,500 non-governmental organizations, the United Nations Framework Convention on Climate Change (UNFCCC) was adopted. This treaty, not legally binding, aims to encourage the developed countries to stabilize their greenhouse gas emissions. It entered into force in 1994 and has been ratified by 189 countries.

In December 1997, the Kyoto Protocol intensified and specified the methods of the fight against global warming. Through this legally binding treaty, each signatory country has undertaken to carry out specific reductions of six greenhouse gases. The objective was to reach a global reduction of 5.2% of the greenhouse gases by 2012 in relation to the 1990 levels. The treaty entered into force in 2005 and has been ratified by 172 countries, with the notable exception of the United States. It designated the promotion of electricity from renewable energies among its top priorities

Contrary to all expectations, the Copenhagen Conference, which was held in December 2009, has not extended the Kyoto commitments. The Copenhagen text, not legally binding, does not include any quantified commitment to the reduction of greenhouse gases, merely advocating “cooperation” in order to achieve a peak in emissions “as soon as possible”. However, a proposal annexed to the Copenhagen Agreement calls on the international community to conclude a binding treaty by the end of 2010.

6.3.2. Community legislation

The promotion of electricity from renewable sources is among the top priorities of the European Union.

The Kyoto Protocol was ratified by the European Union and its Member States in May 2002. The European Union, as signatory, was assigned an objective of a reduction of its greenhouse gases by 8% between 2008 and 2012.

Wishing to assert itself as the most environmentally respectful industrialized economy, the European Union went further than the international objectives in adopting the Climate and Energy Package in December 2008. The Member States have thus undertaken to reduce greenhouse gas emissions by 20% in relation to 1990 levels, to raise the share of renewable sources in energy consumption to 20%, and to increase energy efficiency by 20% (triple 20), all by 2020.

The Climate and Energy Package also consists of the European Directive 2009/28/EC of April 23, 2009 through which the objective of bringing the share of energy produced by renewable sources in the total European Consumption to 20% by 2020 is broken down into national binding targets. This directive modifies and shall then repeal the provisions of Directive 2001/77/EC as of January 1, 2012. Thus, the objectives of the 2001 directive, consisting in particular for the European Union of bringing the share of renewable energy sources in its gross national energy consumption to 12% as well as producing 21% of its electricity consumption from renewable energy sources in 2010, will remain in force until December 31, 2011.

The binding objectives to be achieved for each Member State, set by Directive 2009/28/EC are the following:

	Share of energy produced from renewable sources in the consumption of final energy in 2005	**Target for the share of energy produced from renewable sources in the final consumption in 2020**
Germany	5.8%	18 %
Austria	23.3%	34 %
Belgium	2.2%	13 %
Bulgaria	9.4%	16 %
Cyprus	2.9%	13%
Denmark	17.0%	30 %
Spain	8.7%	20 %
Estonia	18.0%	25 %
Finland	28.5%	38 %
France	10.3%	23 %
Greece	6.9%	18 %
Hungary	4.3%	13 %
Ireland	3.1%	16 %
Italy	5.2%	17 %
Latvia	32.6%	40 %
Lithuania	15.0%	23 %
Luxembourg	0.9%	11%
Malta	0.0%	10%
Netherlands	2.4%	14 %
Poland	7.2%	15 %
Portugal	20.5%	31 %
Slovakia	6.7%	14 %
Czech Republic	6.1%	13 %
Romania	17.8%	24 %
United Kingdom	1.3%	15 %
Slovenia	16.0%	25 %
Sweden	39.8%	49 %

Source: Directive 2009/28/CE, Annex I.

6.3.3. National legislation

Legislation in France

The French regime provides that electricity production installations that use renewable energies can benefit from the obligation of *Electricité de France* (or other private distributors) to purchase the electricity that they produce at a guaranteed tariff.

In particular, the installations that use renewable energies or that implement efficient technologies in terms of energy efficiency, such as cogeneration, can benefit from this purchase obligation. Wind turbines can therefore benefit from a contract with a purchase obligation.

The law relating to the modernization and expansion of the public electricity service of February 10, 2000 and its application decree of December 6, 2000 state that the purchase obligation at a privileged tariff applies to the production of electricity by the wind turbines located in a *Zone de Développement de l'Eolien* (Wind Power Development Zone) ("ZDE") respecting the minimum and maximum installed capacity defined by the decree creating the ZDE referred to.

However, a transitional period was provided between July 14, 2005 and July 14, 2007 by a circular of June 19, 2006, during which all of the wind turbines located outside a ZDE can use the contract with a purchase obligation, provided that they are in possession before July 14, 2007:

- Of the purchase obligation certificate attesting to the respect of a threshold of 12 MW per production site and to a distance of at least 1,500 meters between sites;
- Of a notification of the time limit for the processing of a request for a building permit attesting to the filing of a complete dossier.

For the wind energy projects installed as from July 15, 2007, only those located in ZDEs will be able to benefit from the purchase obligation at a preferential tariff.

Concerning the repurchase tariff, the following different regimes are brought to attention:

- for the installations commissioned before July 26, 2006, the applicable tariff is 8.38 c€/kWh for the first 5 years, then between 8.38 and 3.05 c€/kWh for the following 10 years according to the sites (Decree of June 8, 2001);
- for the installations commissioned after July 26, 2006, the purchase contracts are concluded for a period of 15 years as from the date of commission of the on-shore power plant at the tariff of 8.2 c€/kWh for 10 years, then between 8.2 and 2.8 c€/kWh for 5 further years according to the sites. These tariffs are subject to an annual review according to the applicable index rating. In 2008, the tariff is 8.36 c€/kWh for the first 10 years and in 2009, the tariff is 8.61 c€/kWh for the first 10 years (Decree of November 17, 2008). This decree is the subject of an action for annulment before the *Conseil d'Etat* (Council of State) by opponents of the wind industry. This action is pending to date.

The relations with the grid operator are formalized by several contracts (Purchase Contract, Connection Agreement, Contract for Access to the Distribution and Injection Network). Generally speaking, these contracts do not entail any risky obligations apart from the one to deliver a current in accordance with the quality criteria decided by the operator and furthermore the obligation of payment of the amount corresponding to the grid connection work carried out by the operator.

Legislation in Italy

- **The sale of electricity**

The producers of wind energy can choose between two regimes for the sale of the electricity produced[1]:

- Sale on the market
- The transfer of the energy produced from wind energy can be made by bilateral contract or by means of the electricity exchange, operated by the electricity market operation company *Gestore del Mercato Elettrico S.p.A ("GME"), a subsid*iary wholly owned by the operational authority of the national electricity grids the *Gestore dei Servizi Elettrici ("GSE"). The marke*t is divided into 6 regional zones and the exchange prices are established by means of the supply and demand existing for each one of these zones.
- Sale to the electricity grid operator

The system is based on a repurchase obligation of the GSE of the wind energy produced. A one-year agreement covering all the electricity produced during the contractual period is concluded. The applicable sale price is set by a weighting of the market prices established per regional zone, hour by hour.

1 Legislative Decree No. 387/2003

Example of sale price per zone (in c€/kWh):

	North	North-Central	South-Central	South	Sicily	Sardinia
Daily average	**7.7**	**8.1**	**8.1**	**6.7**	**11.1**	**8.1**
Peak hours average	9.2	10.1	10.1	7.5	14.5	10.1
Off-peak hours average	6.1	6.1	6.1	5.8	7.6	6.1
Maximum	9.6	13.0	13.0	8.6	19.5	13.0
Minimum	2.6	2.6	2.6	2.6	2.6	2,6

For the farms with less than 1 MW capacity, guaranteed minimum prices are provided for, reviewed each year. For the farms with less than 0.2 MW capacity, commissioned after December 31, 2007, a fixed repurchase tariff above the market value is established, adjusted every 3 years.

- **Green certificates**

The Legislative Decree of March 16, 1999[2] obliges the operators who produce or import more than 100 GWh per year of electrical energy from fossil sources to inject a certain quantity of renewable energy into the grid. Initially equal to 2% of the fossil energy produced or imported, this quota was increased by 0.35% per year between 2004 and 2006[3] and will be increased by 0.75% per year between 2008 and 2011. The quota is 3.85% for 2008. These operators can discharge their obligation by directly producing renewable energy or by purchasing green certificates from the producers of renewable energy.

The green certificates are issued by the GSE and awarded to the IAFR authorized renewable energy electricity production units. For the farms with over 0.2 MW capacity, each MWh feeding the grid gives the right to 1 green certificate. Since the Finance Law for 2008, the installations commissioned after January 1, 2008 can request the awarding of green certificates for the first 15 years of operation as opposed to 12 years for those commissioned earlier. The length of validity of each green certificate is 3 years. The transfer of the green certificates can take place by bilateral contracts or by means of the electricity exchange managed by the GME. The prices are freely determined, according to supply and demand.

However, in the event that the demand exceeded the supply, thus preventing the producers or importers of fossil energy from satisfying their obligations in terms of quota, the grid operator, the GSE, can issue green certificates for its own account and sell them to these operators. On the contrary, if the supply exceeded the demand, the green certificates could be returned to the GSE who would buy them back at the average price noted over the last few years.

The sale price (the reference price of the green certificates), is, in this case, determined by the law and equal to the difference between a determined value currently set at 18 c€/kWh and the average value of the sale price of the electricity of the previous year established by the *Delibera de l'Autorita per l'Energia Elettrica e il Gas* (AAEG). Thus, the average value of the price of electrical energy of 2008 established by the AAEG being 9.1 c€/kWh, the reference price of the green certificates for 2009 is therefore equal to 8.8 c€/kWh.

Legislation in Germany

Germany is the most important European market in terms of aggregate wind energy capacity, totaling 23,933 MW installed at year-end 2008. The country has benefited from incentive legislation in relation to wind energy for many years, and in particular from a policy of repurchase of the electricity produced from renewable energies for a period of 20 years, for sites meeting certain criteria.

In order to further strengthen its commitment towards renewable energies and to adapt the tariffs to market conditions and to technological progress, the German parliament adopted, in June 2008, a revision of the law in order to improve the conditions of the production of wind energy with, in particular, a significant increase in the fixed tariff for the repurchase of the electricity produced. Thus, since January 1, 2009, the repurchase tariff has gone from 8.03 c€/kWh to 9.2 c€/kWh for the onshore wind farms for a period of 20 years. After the first year, this tariff decreases by 1% per year for the new installations

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2 The green certificates regime was put in place by the Bersani Decree dated March 16, 1999 followed by the Ministerial Decree of November 11, 1999, completed by the Ministerial Decree of March 18, 2002, replaced by the Decree of October 24, 2005. Added to this is the Decree of December 29, 2003 No. 387 transposing Directive 2001/77/EC. Finally, this regime was greatly reorganized by the Finance Law for 2008 of December 27, 2007 No. 244, the law of November 29, 2007 No. 222 and the Ministerial Decree of December 18, 2007.

3 Legislative Decree of December 29, 2008 No. 387

connected to the grid, as opposed to 2% previously. Specific provisions also exist in favor of the projects for re-powering existing farms or for *offshore* development.

Furthermore, the electricity produced from renewable sources benefits from a priority access to the grid for connection, transport and distribution.

Legislation in Brazil

Dependent on hydroelectricity, which represents close to 80% of its production, Brazil has shown its willingness to diversify its sources of energy supply for many years.

In 2002, the Brazilian government launched the ProInfa program for the promotion of renewable energies with the objective of achieving 1,100 MW of installed wind energy capacity at year-end 2006. Not achieved, this objective has been reset to 1,400 MW for the end of 2008. This program established an electricity repurchase price guaranteed for 20 years calculated according to the characteristics of each farm commissioned.

At year-end 2008, with the installed wind energy capacity only 341 MW, the Brazilian government wished to accelerate the development of this sector by launching, at the end of November 2009, the first substantial invitation to tender for the installation of wind farms for an aggregate capacity able to achieve 1,000 MW. This invitation to tender should be only the first of a series.

In September 2009, the Brazilian government reiterated its long-term commitment to renewable energies by setting a national objective of the commissioning of 10,000 MW in 10 years.

The Brazilian territory offers great wind energy potential, with numerous high-quality sites. However, the wind energy sector still remains modest in Brazil, since the first support initiatives are still recent and no incentive tariff framework has been put in place yet.

Legislation in India

India quickly showed its willingness to diversify its sources of energy supply. Since 1992, the government has been equipped with a Ministry for Non-conventional Energies (MNES), which in 2006 became the Ministry for New and Renewable Energies (MNRE).

This Ministry has put in place support measures adapted to the different energy sectors, including tax advantages for the wind energy sector or an accelerated first year amortization of 80%.

The electricity agencies of the various Indian states also make their contribution to the MNRE policy. They have put in place incentive tariffs for the repurchase of the electricity produced by the wind turbines for durations in the range of 10 to 20 years.

The objective of the Indian government is for renewable energies to represent 10% of the total electrical production capacity by 2012.

Legislation in Morocco

The electricity sector in Morocco is characterized by a single buyer, *l'Office National de l'Electricité* (The National Electricity Office) (ONE). While production can be conferred to private operators, the ONE today retains the monopoly for the transport as well as for the sale of electricity. The Company is currently conducting negotiations concerning the possibility of cooperation with the ONE.

As regards renewable energies, Morocco has the ambition of achieving the objective of 12% of renewable energies in its energy mix by 2012.

The development of wind is currently based on two programs:

(1) Invitations to tender: the ONE launches invitations to tender with independent producers for the development, financing, design, engineering, supply, construction, commissioning as well as the operation and the maintenance of wind farms. The winner takes away a contract for a term of 20 years with a guaranteed repurchase tariff;

(2) Self-production by the manufacturers through the Energi Pro program, which applies to 1,000 MW and offers the possibility to manufacturers to produce their own electricity for a maximum capacity of 50 MW. The principles of Energi Pro are the following:

- Dissociation of the place of electricity production (windy place) and of the place of electricity consumption (industrial zone characterized by a considerable ruggedness),

- Transport of the electricity handled by the ONE via its existing transport network and buildings which it puts in place exclusively for the relocated self-production. The transport is carried out for a remuneration of 6 cDH/kWh until 2011 and of 8 cDH/kWh as from 2012,
- In the case where production is less than the consumption of the manufacturer, the ONE guarantees a contribution,
- In the case where production exceeds the consumption of the manufacturer, the ONE buys back the electricity at a tariff increased by 20% in relation to the repurchase tariff in force.

This option offers the following advantages for the manufacturers:

a) To dispose of a source of energy regardless of the location of the production site of the manufacturer: an advantage if one considers the surface of the Moroccan territory and the industrial deployment in all the regions,

b) Possibility for the manufacturer to optimize its energy bill: the system necessitates a negotiation between the producer and the manufacturer on the electricity tariff,

c) The manufacturers can group together to form a consortium in order to form a common production site.

A bill was also adopted on March 12, 2009 in council of government and needs next to be approved by the Parliament. It provides in particular for:

- An authorization regime for the wind farm installations totaling a capacity over or equal to 2 MW,
- A policy of a simple prior declaration for the electrical energy installations from renewable sources under 2 MW,
- Rules governing national production and export of electricity to the European Union,
- A specific framework for wind with the putting in place of development zones planned for the wind farms.

6.4. DESCRIPTION OF THE GROUP'S MAIN ACTIVITIES

After the change in management, which took place at the end of September 2008, the Group began a complete review of its activities and its strategy. The Group has, in particular, decided to concentrate exclusively on its wind activities, which are detailed below, and to sell and/or discontinue its non-wind activities.

6.4.1. Wind activity

The wind activity is split according to the following areas:

(a) The development and the construction of wind-generated electricity production installations on behalf of third parties or for the group's own account.

(b) The operation of wind farms on behalf of third parties or for the Group's own account.

For each wind farm, THEOLIA sets up a specific company called "*Société Support de Programme*" (Program Support Company) (SSP).

A wind farm is generally made up of several wind turbines.

A wind turbine is composed of a support mast on which a wind generator is installed. This latter converts the wind strength into electric power: the wind sets in motion the blades that drive the rotor to which they are connected. The energy received by this rotor is in turn transferred to an alternator that produces electric current.

The mast of a wind turbine installed in the ground (on-shore) generally reaches a height of 80 to 120 meters, for a wind generator capacity in the range of 1 to 5 MW and blades of 25 to 70 meters.

The masts are fixed to the ground by concrete structures and are interconnected by electric cables. A structure called a "delivery station" receives the electric cables coming from each wind turbine and groups together the devices necessary for the monitoring and functioning of the wind energy plant. It is also the interface with the public distribution network.

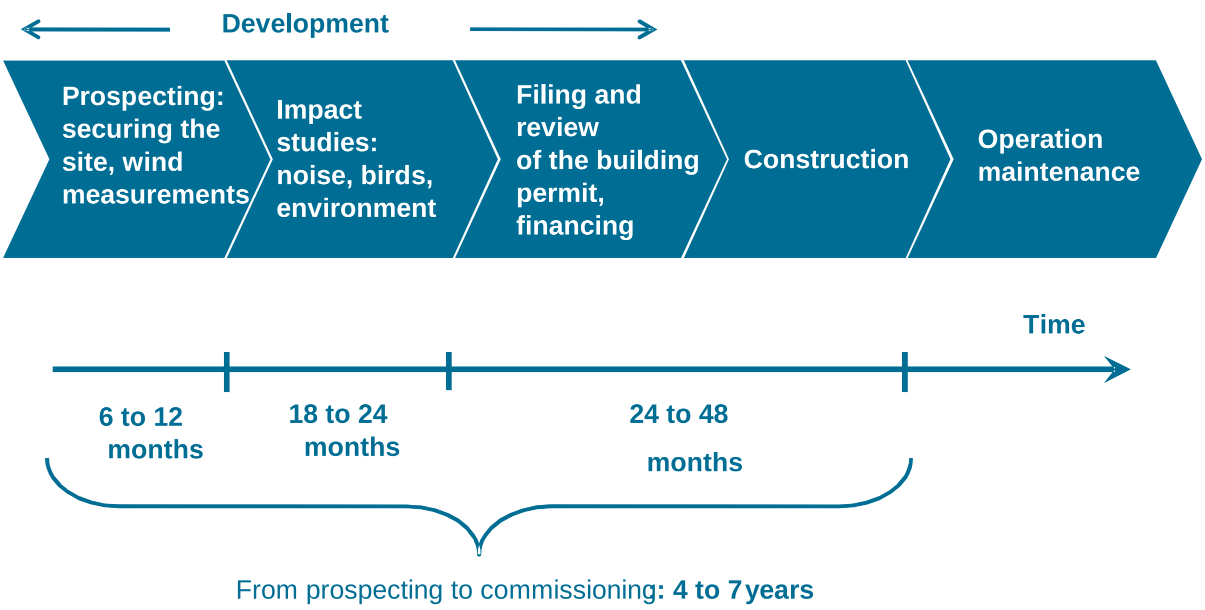
For 1 MW of installed capacity, the average annual production may vary from 2 to 4 GWh, according to the qualities of the site (wind conditions and therefore number of working hours) and the type of turbine.

The Group has developed key expertise in all the development stages of the wind value chain. The process for bringing a wind energy plant into operation is a long one (on average 4 to 7 years) over the course of which at least three stages should be noted:

- development;

- construction;

- operation and maintenance.



The above-mentioned periods are only given as indications and may vary significantly from one project to another and from one country to another.

First stage: the development of the wind energy project

The development of a wind energy site can be summed up in four phases.

The **first phase** consists of identifying and securing a site able to offer high potential for the installation of a wind energy plant and for analyzing the possible constraints which could limit the subsequent development of this facility.

In order to ensure the availability of the site, a lease contract must be agreed, for a duration generally in the range of 3 to 5 years.

The Group then carries out the study of the project, which covers the topography of the site chosen and the identification of the various environmental constraints as a result of presence in the proximity of residential houses, historical monuments, sensitive or protected sites, various easements and above all the presence of a "source station" with a view to electrically connecting the planned plant. Within this framework, the role of the developer is to integrate the wind turbines into the landscape, since the current wind turbines are indeed able to reach over 100 m in height. Their installation is chosen on the basis of an environmental impact study. In addition, in order to limit the visual impact, the developers focus particular attention on the installation of the wind turbines, which results in better acceptance by the population. The developer must also harmoniously integrate the buildings annexed to the wind energy plant, notably the delivery station and the access road to the masts and to the delivery station.

The **second phase** of development consists in measuring the wind energy potential of the project. This phase is essential, since it allows the assessment of economic viability, which is in particular dependent on the wind quality at the site. This quality is measured as much according to the strength of the wind as according to its regularity and the consistency of its direction. It varies in particular according to the altitude and topography of the terrain. Other factors come into play, such as the frequency and intensity of gusts, which can cause premature wear of the machinery. In order to evaluate the wind energy potential, one or several measuring masts are installed on the site in order to collect the information necessary to evaluate the wind level over a period in the range of 12 to 18 months.

In parallel with these technical studies, public meetings are routinely organized in order to inform those who live nearby and to promote acceptance of the project. The frequency of these various meetings varies and takes into account the acceptance of the project by the local residents. Thus, each wind energy project is subject to wide-scale reviews and consultations, upstream during the development phase, concerning its impact on the environment and in particular on the landscape and fauna.

The **third phase** of development covers all the steps necessary to obtain the building permit free from any third party recourse. The developers take care of obtaining all the administrative authorizations up to obtaining the building permits and the various other authorizations (eligibility, connection to the grid, operating permit, contract for the repurchase of the electricity produced, etc.).

The manufacturer and the model of turbines to be accepted for each site should also be chosen. On this point, THEOLIA develops a case-by-case approach. The Group does not wish to negotiate a framework agreement. On the contrary, THEOLIA remains free to choose the most appropriate supplier and model for the site according to the wind conditions, the economic performance of the turbines, the topography of the terrain, etc.

Finally, the **fourth phase** of development of the wind energy project consists in securing the financing of the construction of the plant. This financing being typically obtained in the form of project finance carried by the SSP without recourse to the parent company (see paragraph 9.5.1), it is the subject of negotiations with the lending banks on the proportion of equity to be contributed to the structure and the detailed conditions of the contracted debt (term, rates and guarantees in particular). The project is subject to various audits by outside providers meeting the criteria of the lending banks:

- audit of the wind energy potential (provisional number of working hours integrating the measurements made on site over a period in the range of 12 to 18 months and the "machine power curve" of the wind generator chosen);
- audit of the economic model (financial and economic simulation of the operation with all of its parameters);
- legal audit (audit of all the legal documents arising in such an operation: leases, easements, various constraints, administrative authorizations, turn-key contract, contracts with the suppliers and drafting of the contracts between the Group and the bank);
- insurance audit (study of the contracts approved and inventory of the potential difficulties).

When the building permits free from any third party recourse are obtained, the various stages necessary to build a wind energy plant can take 12 to 18 months. This duration is given purely as an indication, since the various stages (in particular financing and construction) may vary widely from case to case according to the characteristics of each project. Finally, the lead times with the turbine manufacturers should also be taken into account.

In 2005, THEOLIA acquired the company Ventura, based in Montpellier, France, expert in the development of wind energy projects, which benefited from solid expertise in development: selection and securing of the site, carrying out the technical studies, obtaining the building permits and other authorizations. The integration of Ventura within the Group has given THEOLIA access to a sizeable portfolio of projects under development in France.

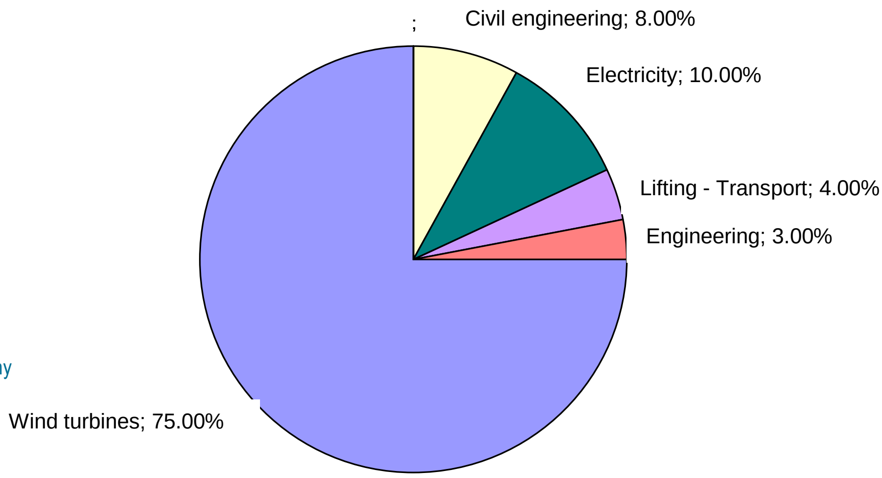
In 2007, THEOLIA also acquired the company Maestrale Green Energy ("Maestrale"), a developer of wind energy projects based in Milan (Italy). This acquisition has allowed THEOLIA to establish itself in Italy, a new and particularly promising market. Initially and taking into account the characteristics of the Italian market, Maestrale bought projects in the initial stage of development from local developers. Maestrale has since strengthened its teams with wind energy experts and engineers mastering the authorization process for the building permits and now has comprehensive expertise on the whole of the wind energy value chain at its disposal.

Second stage: construction of the farm

After having developed the wind energy project and obtained financing for it, the project enters into a construction phase. The contractor breaks down the construction of the power plant into four distinct portions:

- Earthwork and civil engineering: the company selected will carry out, from the ground studies and the reinforced concrete studies provided by the builder, mainly the earthwork and the work on iron framework, concrete, integration of the mast attachments onto the concrete structure and the various reservations. This portion also includes the construction of the delivery station and the roads allowing access to the various masts and to the delivery station;
- Electricity: the company selected will handle the electricity work including the cables and materials. From the "mast footings", the company will supply and install the high voltage cells (in general 20,000 volts) integrating the coupling devices, the connection devices and the cables between the masts and the delivery station. In the delivery station, the company will supply the high voltage protection and coupling cells and will connect the various cables coming from the masts. The company will then install the high voltage coupling cells on the grid;
- Wind turbine: the turbine manufacturer will carry out the delivery and installation on site of the entire wind generator (masts, blades etc.). The same company will also be in charge of the transport operations on site and the lifting (or crane-handling) operations;
- Engineering and work planning: this task is handled by the contractor who assumes technical and financial responsibility for the operation.

The following chart presents an estimation of the division of the construction costs of a wind energy project:



Source : Company

THEOLIA has carried out the construction of numerous wind farms in Germany and in France which are in operation today. The Group has developed a reputation for constructing its wind farms within the planned time limits and budgets.

As of December 31, 2009, the Group had 43 MW under construction, spread across Europe (31 MW in Italy and Germany) and in India (12 MW within the framework of a 50:50 joint venture, the whole project representing 25 MW).

Third stage: operation and maintenance of the wind farms

Upon completion of the work, THEOLIA asks the company operating the electricity grid to receive the delivery station, the quality of the current distributed on the grid having been confirmed at the time of the study on connection to the grid. Consequently, the period known as "industrial commissioning" begins. The turbine manufacturer has a time limit corresponding to several working hours to carry out the various adjustments for optimization and for observance of the specifications. The contract starts once the power plant is connected to the electricity grid and the industrial commissioning period is concluded.

For each wind farm, the operator negotiates with the wind turbine supplier a long-term maintenance contract which will guarantee in particular the power curve, the availability of the machines and the quality of the current and will pay compensation, if need be, in the event of failure of the installations guaranteeing 95% to 98% of the annual production. These contracts are concluded for the duration of the financing. The failure by the manufacturer to respect its compensation obligation within the framework of the guarantee could lead to a considerable risk for the Company. The operator for its part handles the supervision of this maintenance of the power plant and manages the SSP on a day-to-day basis.

As of December 31, 2009, THEOLIA operated 780 MW of wind farms in France, in Germany and in Morocco, for its own account and for third parties. For its large German installed capacity, for its own account and for third parties, the Group has developed real-time production surveillance systems. These tools allow it to optimize its operation and thus to achieve excellent rates of wind turbine availability (97.8% in 2007 and 97.9% in 2008).

Concerning the maintenance in France and in Germany, for each site THEOLIA negotiates a contract with the turbine supplier lasting in general until termination of the electricity repurchase contract, except for a few farms in Germany whose maintenance contracts are renewable every two years. On the other hand, in Morocco, for *Centrale Eolienne du Detroit* ("CED"), the Group carries out the maintenance itself. An experienced team of approximately 10 people have managed this farm since its commissioning in 2000. The acquisition of CED in January 2008 has therefore allowed the Group to equip itself with technical know-how in the maintenance and operation of wind farms in a difficult environment. The power plant comprises 84 wind turbines for a total installed power of 50.4 MW and produces about 190 GWh per year.

The uniqueness of THEOLIA: sale of farms in operation

Since the acquisition of Natenco in 2006, THEOLIA has been selling recently installed capacities in Germany. The wind energy projects are generally bought in Germany at an advanced stage of maturity, then built and commissioned shortly thereafter. The objective is to sell them at the moment of commissioning. A short development phase allows a quick turnaround of the capital invested.

Historically, the sale of turnkey farms was carried out through a partnership with the company FC Holding and made with individual purchasers receiving tax benefits. Recently, THEOLIA has explored other distribution channels in making the direct sale of a portfolio of 100.6 MW of assets and of wind energy projects to the German state-owned company RheinEnergie.

The Group means to pursue the diversification of its client base towards industrial or financial purchasers, and to strengthen its internal expertise in the sale of wind farms.

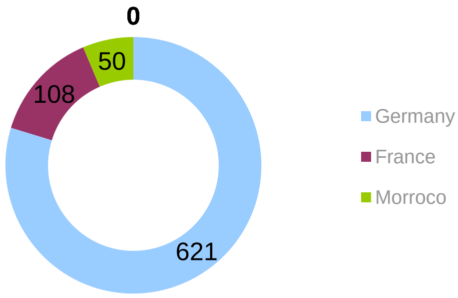
In 2008, the former management of THEOLIA had decided to limit the sale of wind farms to third parties as much as possible. As a result, no farm had been sold over the financial year.

Immediately after its appointment, the new management decided to reactivate this activity of selling wind farms. Over the course of the first six-month period of 2009, 38.5 MW were thus sold. In the contracts to sell wind energy projects in which the Group takes charge of the turnkey construction of the wind farm, the turnkey construction contract can provide for the payment of late fees under certain conditions, in particular in the case of a significant delay in the date of commissioning.

6.4.2. Geographical presence

Farms in operation

THEOLIA operates wind farms in France, in Germany and in Morocco. The total installed capacity managed by the Group amounted to 780 MW as of December 31, 2009 and is divided in the following manner:



As of December 31, 2009, the Group's wind farms in operation in France were the following:

	Capacity (in MW)	Operation	Year of commissioning	100% held or in partnership
Bel Air	6.9	For third parties (1)	2006	100%
Les Plos	11.5	Own account	2007	100%
Corséol	6.0	Own account	2007	95.20%
Fonds de Fresnes	10.0	Own account	2006	100%
Moulin de Froidure	12.0	Own account	2007	100%
Plateau	6.9	Own account	2003	100%
Sablons	10.0	Own account	2007	100%
Sallen	8.0	Own account	2008	100%
Séglien	9.0	Own account	2006	100%
La Fage	4.6	For third parties	2007	For third parties
Le Puech	11.5	For third parties	2007	
Les Pins	2.3	For third parties	2007	
Le Grand Camp 2	10.0	For third parties	2009	
Total	108			

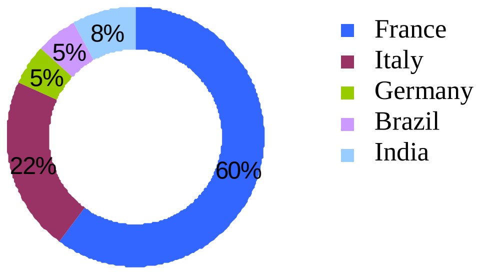
(1) as from December 29, 2009

As of December 31, 2009, the Group's installed capacity in Germany represented 195 MW for its own account, spread across 23 wind farms, of which 1 was held in partnership, and 426 MW for third parties, spread across 111 farms across the whole of the German territory.

Finally, in Morocco, the Group's installed capacity consists of one wind farm, *Compagnie Eolienne du Détroit* (CED), located in Tétouan, in the north of the country, comprising 84 wind turbines for a total installed capacity of 50.4 MW.

Projects under development

The Group's pipeline of wind energy projects amounted to 2,013 MW as of December 31, 2009 and was divided in the following manner:



The Group has carefully selected its development zones according to their growth potential and their regulatory policy on renewable energy.

Thus, THEOLIA concentrates its development efforts on three of the four largest markets in the wind energy sector in Western Europe: France, Italy and Germany.

Furthermore, the Group has established positions in certain targeted emerging countries (India and Brazil), which are considered to be potential growth areas.

This geographical diversification allows the Group to manage its exposure to the risks linked to weather conditions and to regulatory risks.

6.4.3. Non-wind activities

Having decided to concentrate exclusively on its wind activities, in 2008 the Group launched a plan for the disposal of all its non-wind interests and assets.

Interests sold

- **Thenergo**

The company Thenergo, located in Belgium and listed on Euronext Brussels, specializes in the development and operation of sustainable energy projects, using biogas, natural gas, vegetable oil and waste timber. THEOLIA, a shareholder in Thenergo (former Theolia Bénélux) since 2006, sold its entire interest (24.02%) in Thenergo at the end of December 2008.

- **Biocarb**

In April 2009. THEOLIA sold its interest (96.73%) in Biocarb, a company founded in 2003 and based in Switzerland, specializing in the production of biofuel.

- **Hydro development activity in Canada**

In July 2009, THEOLIA sold its interests in the companies THEOLIA Canada (99.98%) and THEOLIA Premieres Nations Inc. (99.98%), active in particular in the field of hydroelectricity development in Canada.

- **Assets of the companies SAEE and SAPE**

In July 2009, the Group sold its two peaking units located in France. They represented the assets of the companies SAEE and SAPE, whose holding company is the company CS2M. These three companies are in the process of closing down.

Interests in the process of disposal

- **France Environment Division**

The France Environment Division of the Group is to date composed of the structures described below and which are present in the organization chart presented in chapter 7 of this Reference Document. At the date of the Reference Document, the Group carried out the disposal of the breath alcohol analysis activities of Séres Environnement and signed a memorandum of understanding for the disposal of the activities of the Nemeau SAS group. The Group is in discussions with possible buyers for certain companies of the Environment Division.

Sérès Environnement	Sérès Environnement, set up on June 13, 2006 following the takeover at the *tribunal de Commerce d'Aix-en-Provence* (Aix-en-Provence Commercial Court) of the company Sérès SA by THEOLIA, pursues its activity in the field of measurement instruments for the water, air, prevention and safety of persons and breath alcohol measurement markets.
Ecoval Technology SAS	Ecoval Technology, set up in December 2004, following the takeover at the *Tribunal de Commerce de Nanterre* (Nanterre Commercial Court) of the company "A+O" pursues its activity in the field of the design, partial or complete realization, turnkey construction and sale of units implementing environmental solutions on behalf of local authorities and manufacturers. This company is dormant.
Therbio	Therbio (previously Sodetrex) is the controlling holding company of the company Ecoval 30.
Ecoval 30 SA	Ecoval 30, a company set up in 2001, specializes in the treatment of liquid and solid waste. Its factory based in Beaucaire in France receives the waste collected by other companies, separates it and isolates the target fermented matter in order to compost it with a view to its resale.
Nemeau SAS	Nemeau, a company set up in December 2004, following the takeover at the *Tribunal de Commerce de Marseille* (Marseille Commercial Court) of the company Naturem Environnement. This company specializes in the design and sale of industrial installations used in the environmental field. This company is dormant.

- **Ecolutions**

The Group holds a 35% interest in the capital of the private German company Ecolutions specializing in the carbon emissions market in emerging countries.

- **Solar park in Germany**

The Group has developed a solar park in Germany. Its sale had been concluded in 2007 but, since the purchaser had not secured the financing, the park was taken over at the end of 2008.

6.5. STRATEGY

Since the change in management which took place at the end of September 2008, the Group has undertaken an exhaustive review of its strategy, its geographic positioning and its operations. It has thus established a new strategy, made public on August 31, 2009 on the occasion of the publication of the half-year results of the Group.

In a rapidly developing market, supported by a long-term trend in the reinforcement of the policies on environmental protection and the promotion of green energy, but adversely affected by a strained financial environment, the Group has selected the strategy which is most suited to its situation and its expertise, with the aim of creating the maximum value for its shareholders.

THEOLIA, an independent player, concentrates exclusively on the wind energy sector, within which it positions itself as a major developer of wind projects and farms, mainly in France, Germany and Italy, present across the whole of the wind energy value chain. The Group places its technical and operational expertise at the service of the construction of numerous quality projects included in its portfolio of projects under development.

The Group furthermore reserves the possibility, where appropriate, of pursuing, within its financial capacity, rigorously selected expansion opportunities, mainly pertaining to the acquisition of projects which would contribute to accelerating its development.

6.5.1. The basis of the Group's strategy

Concentration on the construction of wind energy projects in the main European wind energy markets

From November 2008, the new executive management has indicated to the financial community its wish to concentrate exclusively on the wind energy sector. This decision entails the withdrawal of the Group from any non-wind activity or interest. At the filing date of registration of this Reference Document, this withdrawal is at different stages of maturity, as indicated in paragraph 0 above.

Within its wind activity, the Group has selected the countries driving its future development. THEOLIA has thus chosen to concentrate on three of the four most dynamic wind markets or those having significant wind farm installations in Western Europe: France, Germany and Italy. Accordingly, the Group announced, at the beginning of 2009, its decision to close or sell its activities in Spain, Greece, the Czech Republic, Croatia and Poland.

France, Germany and Italy represented an aggregate installed wind energy capacity of 31,335 MW at year-end 2008, of which 3,875 MW installed over 2008. The development prospects there are particularly considerable. BTM Consult, in its report of March 2009 on the worldwide wind market, estimates that 28,800 MW should be installed in these countries between 2009 and year-end 2013.

The Group is already well established in its reference countries. As of December 31, 2009, the Group operated 730 MW of wind energy in France and in Germany for its own account and for third parties and has 31 MW under construction in Italy and in Germany. Moreover, the Group has a sizeable pipeline of projects (mainly in France and Italy), totaling 1,748 MW in these three countries as of December 31, 2009.

Positions taken in certain emerging countries

Since 2007, the Group has identified the emerging countries as representing a considerable potential future growth area for the Group. The Group has chosen to target specific countries presenting attractive prospects in wind development: Morocco, Brazil and India. As of December 31, 2009, the Group had a pipeline of wind energy projects totaling 265 MW in Brazil and India.

In Morocco, the Company acquired, in January 2008, the *Compagnie Eolienne du Detroit* (CED) which concluded, on October 2, 1998, the following contracts with the *Office National d'Electricité du Maroc* (Moroccan National Electricity Office) (ONE):

- A contract for the transfer of possession, transferring to CED the rights of possession relating to a wind farm of 50.4 MW in operation in Tétouan;
- A contract for the supply and purchase of electrical energy, laying down the procedures and conditions of repurchase by the ONE of the whole of the electricity generation of the farm.

From August 30, 2010, the ONE will be able, at any time, if the economic circumstances warrant, to terminate the contract for the supply and purchase of electrical energy. In this case, the ONE will have to pay CED compensation in the order of 12-13 million euros in 2010, decreasing as the years go by, in accordance with the contractual terms. It is stated that the early termination of the contract for the supply and purchase of electrical energy automatically entails the termination of the contract for the transfer of possession. As a guide, the revenue of CED represented 3% of the Group's revenue as of June 30, 2009. Discussions with the ONE are currently underway concerning the possibility of developing other projects in Morocco.

In Brazil the Group chose, at the end of 2009, to maintain its position in this country. The Group had 4 wind energy projects in prospecting phase totaling 100 MW as of December 31, 2009.

In India, the Group is present through a 50:50 joint venture with a local player. THEOLIA is conducting negotiations with this partner on the long-term financing conditions of this joint venture. The Group hopes to be able to indicate at the beginning of 2010 its decision as to its future in this country and, where appropriate, the strategy to develop there in the event of maintaining its position.

The Group could in addition envisage more or less in the long term establishing itself in other markets presenting strong wind energy potential, subject to criteria of stability, growth and regulatory visibility, essential for securing the profitability of future wind farms which could be developed.

In a strained financial environment

Over the course of the past 12 months, the financial market conditions have deteriorated. The time limits for the finalization of the project financing for the wind projects have lengthened, the amounts per bank and per project have decreased, the margins of the financial institutions have greatly increased and the debt ratio (leverage effect) has decreased.

In this environment of strained equity capital and project financing, THEOLIA has defined a strategy in line with its current capacities, adapted to the specific characteristics of each of its reference markets. This new global strategy combines a new strategy called “Develop, Operate and Sell” applied in France and Italy, with the continuation of the traditional activity of trading capacities recently installed in Germany.

THEOLIA’s objective is to be a major independent developer of wind energy projects in Western Europe, and not a wind-generated electricity producer.

This is why the Group has planned the sale of its entire installed capacity in operation over 2 years, held today for its own account, implementing its new strategy communicated since September 1, 2009.

6.5.2. New “Develop, Operate and Sell” strategy in France and Italy

Boasting its proven know-how in wind development in France and Italy, the Group is focusing its efforts on the development of wind energy projects from the initial phases (from the selection of the site) in these countries. The Group has the necessary teams of experts at its disposal in order to successfully complete all of the development phases. The financing is provided by a mix of equity capital contributed by THEOLIA and debt in the form of project finance free from recourse to the parent company contracted at the level of the project support company (see paragraph 9.5.1). After putting the financing in place, the Group carries out the construction and then operates the wind farm for 2 to 4 years. With an established record of operational and financial performance, the farm will then be able to be sold at an optimized price. The Group thus hopes to maximize its return on investment.

The main advantages of this strategy are:

- A very high visibility on the availability rates observed on the site and on the forecast cash flows calculated from the operational performances recorded and from the electricity repurchase tariff guaranteed by a long-term contract, offering attractive and highly foreseeable returns on investment;
- The low level of risk of the assets proposed for sale due to their operating record over 2 to 4 years, which appeals to a wide range of potential purchasers: electricity producers, industrial groups, pension funds, financial groups and wealthy individuals;
- An optimization of the equity capital due to the reinvestment of sale revenue (equity capital + margin) in new projects under development;
- The possibility of maximizing the value of the farms due to a possible refinancing of the debt prior to the sale;
- A strong foreseeable demand over a number of years in relation to wind energy-generated electricity production in France and Italy, spurred on by the European Union targets fixed for 2020, supporting the appetite for the Group’s farms in operation;
- The possible continuation of the operation and maintenance for the duration of the life of the farms, offering the Group the prospect of additional recurring revenue;
- Expected high margins on the sale, offsetting the costs of the relatively long development phase (of 4 to 7 years on average).

6.5.3. Traditional "trading" activity of capacities recently installed in Germany

Germany is the largest wind market in Europe, with the largest aggregate installed base in Continental Europe and a very large number of players, working on various stages of the wind energy value chain. In particular, a large number of developers of wind energy projects are active in Germany.

It is furthermore recalled that for several years the country has been putting in place numerous incentive measures with regard to the production of electricity from wind turbines, including tax measures specifically awarded to private individuals investing in the wind energy sector.

The quality and experience of the teams in Germany combined with a comfortable offer in relation to wind energy projects receiving building permits free from any claims have led the Group to reactivate its traditional activity in trading recently installed capacities which had been suspended in 2008 by the former management.

The model followed in Germany differs from the one applied in France and Italy on several points: in Germany, the Group acquires wind energy projects at the end of development from a wide network of developers. The Group does not therefore generally carry out the initial development phases. The financing is provided through a combination of lines of credit and project financing debts without claims on the parent company (see paragraph 9.5.1). The farms purchased are quickly connected to the grid then sold as turnkey at the time of commissioning, and not several years later. A short development phase allows a quick turnaround of the capital invested, generally under twelve months.

Historically, the sale of turnkey farms was made through a partnership with the company FC Holding and made to individual purchasers receiving tax advantages. Recently, THEOLIA has explored other distribution channels in making the direct sale of a portfolio of 100.6 MW of assets and of wind energy projects to the German state-owned company RheinEnergie. The Group means to pursue the diversification of its client base towards industrial or financial purchasers, and to strengthen its internal expertise in the sale of wind farms.

As in France and Italy, the Group proposes to the purchaser to continue the operation and maintenance for the duration of the life of the farms, thus guaranteeing itself additional recurring revenue.

Within the framework of its trading activity in Germany, the Company communicated on January 19, 2010 a target of 100 MW of acquired permits and sold capacity in 2010.

6.6. SPECIFIC ASSETS OF THE GROUP

Positioned in a rapidly growing market, THEOLIA is an independent developer of exclusively wind energy projects. The Group has proven technical expertise over the entire wind energy value chain. Its large pipeline of projects judged to be of quality by the management covers 5 countries possessing strong wind energy potential.

A presence in a rapidly growing market with attractive prospects

The renewable energies market is a particularly dynamic market, offering many opportunities.

The growth observed in this market over the course of the last few years is particularly strong: between 2004 and 2008, the number of MW installed each year has been increasing on average by 36.4%. Moreover, the development prospects are significant: BTM Consult, in its report of March 2009 on the worldwide wind market, estimates that 220,995 MW should be installed in the world between 2009 and year-end 2013, practically tripling the worldwide installed capacity as of year-end 2008.

With renewable energies contributing towards the reduction of greenhouse gases and therefore to protection of the environment, this market should see considerable growth, supported by a favorable legislative and regulatory environment. Populations and public authorities have to a large extent become aware of the environmental issues. The protection of the environment is the subject of growing political will on all levels.

The organization of the Earth Summit in Rio de Janeiro in 1992, followed by the signature of the Kyoto Protocol in 1997 marked the beginning of the worldwide mobilization. More recently, the European directive of 2009, resulting from the Climate and Energy Package, aims to put in place a common energy policy, with binding objectives to be achieved by each Member State. These international and European steps have led to the implementation of measures favoring the development of renewable energies on a national level.

An exclusive focus on the wind energy sector

Many of the Group's competitors exercise their activities across several segments of energy production: wind and solar photovoltaic for the majority, but also hydro, biomass, thermal generation and cogeneration from fossil fuels, biofuels, biogas, wave energy, etc.

THEOLIA has, on the contrary, chosen to concentrate its activity exclusively on wind energy. This strategy entails the sale of the non-wind activities, underway as of the filing date of this Registration Document, the last sales being under negotiation with possible purchasers with the exception of the stake in Ecolutions, this sale foreseen in the medium-term or longer.

The Company believes that the wind sector is the most advanced of the renewable energies (except for hydro), benefiting notably from a mature technology and a favorable political and regulatory environment. Considerable technological progress has been made these last few years in order to enhance the reliability of the wind energy machinery. This has in parallel allowed reduction of the costs of the equipment.

Within the wind energy sector, the Group has made the choice to concentrate on France, Italy and Germany, and to assess potential development in certain selected emerging countries: Morocco, India and Brazil. This geographical diversification, in countries targeted for their considerable wind potential, allows it to reduce the risks, notably linked to weather conditions.

Thus, as of December 31, 2009, the Group possessed a total installed wind energy production capacity of 780 MW located in France, Germany and Morocco, and a pipeline of wind energy projects totaling 2,013 MW, spread across 5 selected countries.

Unique positioning as a major independent developer of wind energy projects

In an environment of temporarily weakened oil prices, the expected recovery of project financing, the global undervaluation of the wind energy project pipelines by investors and the reduction in the investment costs and lead times for the turbines, the Group has made the choice to position itself as a developer of wind energy projects.

As of December 31, 2009, the Group possessed a large diversified and quality portfolio of wind energy projects. Over its entire portfolio of projects, 28% are projects near to commissioning (permits applied, obtained, or farms under construction); 87% of the projects are located in Western Europe and will therefore benefit from fixed and attractive repurchase tariffs.

Furthermore, as an independent developer of projects, and contrary to the historical electricity producers, the Group is not constrained by any obligation to achieve a certain percentage of "green" production or a certain target of wind energy MW commissioned by a given date. On the contrary, the Group is free to rigorously select its projects according to their own characteristics, strict profitability criteria and the search for a balance of the risks.

A presence across the whole wind energy sector value chain

Since its creation, the Group has continuously strengthened its expertise across the whole of the wind energy sector value chain. It has, in particular, been able to acquire expert teams possessing operational know-how in the development and commissioning of wind power plants and solid local connections. The quality and experience of its human resources have thus allowed the Group to perfect its technical skills. This skill set is essential in order to successfully complete the projects respecting the planned budgets and time limits, and to anticipate technical changes in a constantly changing sector.

The Group is a developer and operator of wind farms, possessing operational expertise and experienced teams.

THEOLIA has also put in place contractual structures allowing it to limit the exposure of its projects under development to a risk of additional cost, as well as internal procedures enabling the best possible following and observance of the investment budgets. For every investment project, the initial budget, confirmed by the Executive Committee, sets the level of profitability of the project and is used as the basis for the search for financing. This initial budget is then adjusted according to the external audits (technical, wind, insurance) and is used as a reference in the monthly monitoring of the construction costs.

The 780 MW of total installed capacity of the Group as of December 31, 2009, benefiting from particularly high rates of availability, proves the Group's operational expertise as regards the operation of wind farms.

The Group is an integrated developer and operator, active in the phases of prospecting, development, arranging of financing, construction, operation, maintenance and sale of wind farms.

6.7. ENVIRONMENTAL POLICY

The environmental consequences are considered in strict accordance with all the legal and regulatory standards, at the time of granting of the building permit for each wind turbine installation project.

The installation of each wind energy project necessitates the completion of numerous studies analyzing the interactions between the project and its local environment: noise studies, landscape studies, studies on the proximity to houses, studies on the impact on fauna and flora, etc. The aim is to achieve the best integration of the project in its local environment, in consultation with the local authorities and populations.

The care taken for harmonious integration in the landscape within the environment, the systematic attention given to natural and human environments, the sorting and recovery of waste during the construction period, the prevention of pollution risks and the supervision of the work of subcontractors, the measurement and surveillance of the environmental impacts (such as the compliance of noise levels) are systematized for each wind energy project within each subsidiary of the Group.

Considerable technological progress has been noted with regard to wind energy machinery over the last few years, enabling significant reduction of noise pollution. The turbine manufacturers are also working on the design and the colors of the machines in order to limit their visual impact as much as possible.

Specific actions are also taken in favor of the environment such as bird monitoring, protection of natural areas in proximity to the building sites, restoration of the natural environment, an ecological management plan within the regional farms, etc.

Finally, THEOLIA plans restoration of the premises at the end of operation in accordance with the rules in force, from the time of commencement of each wind energy project in terms of technical or financial resources.

The THEOLIA Group is a major player in sustainable development.

First of all through its activity, since the production of wind-generated electricity is by nature a means of ensuring the protection of the environment for sustainable development. For the 2008 financial year, the Group produced about 1,215 GWh of "green" electricity from wind energy, which made it possible to avoid the emission of about 538,200 tons of CO_2 and represented the annual electricity consumption of about 485,960 homes (excluding heating).

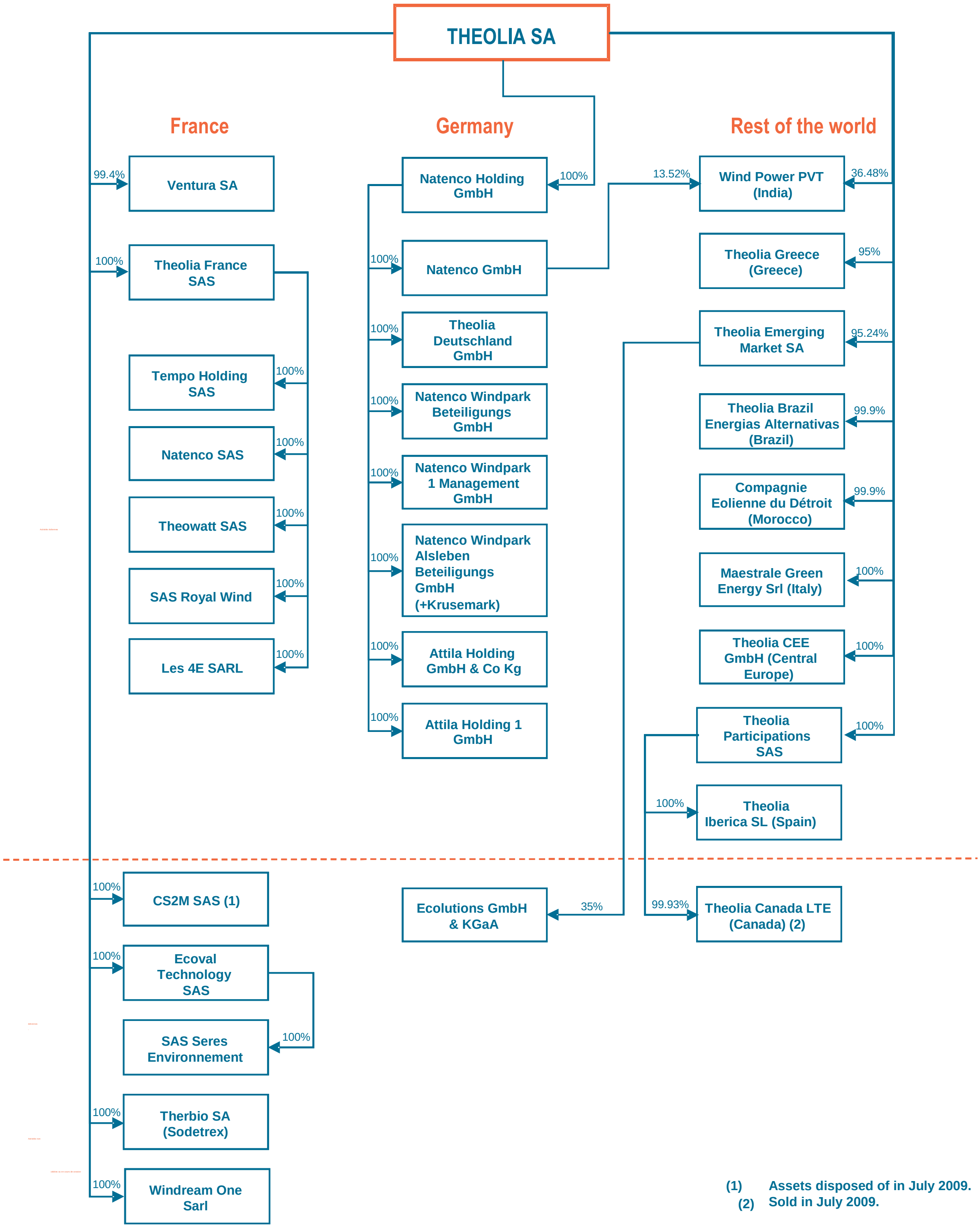
Secondly through its values, since THEOLIA develops its activity respecting a framework of values shared by all its employees. The Group's approach conforms to rules of conduct that are based on ethical founding principles behind the creation of THEOLIA. THEOLIA has recently put in place an ethical charter by which each employee and each company representative undertakes to respect rules of good conduct in the performance of his or her duties.

6.8. DEPENDENCE FACTORS

The information concerning the Group's dependence factors appears in chapter 4 "Risk Factors" of this Reference Document.

7. ORGANIZATIONAL CHART

The organizational chart below is the simplified organizational chart of the main companies making up the Group as of June 30, 2009. The interests are presented in rounded percentages of capital and voting rights. It should be stated that for each wind farm project, an [ad hoc company] [special purpose vehicle?] is set up and owned either directly or via a holding company. However, all of these [ad hoc companies] [special purpose vehicles] do not appear in this organizational chart.



(1) Assets disposed of in July 2009.
(2) Sold in July 2009.

The list below is the list of the Group's subsidiaries and interests as of June 30, 2009.

Companies	% interest	% control	Methods of consolidation	Country	Activity
SA THEOLIA	100.00	100.00	Parent	France	Holding company
THEOLIA IBERICA	100.00	100.00	Full consolidation	Spain	Holding company
THEOLIA EMERGING MARKETS	95.23	95.23	Full consolidation	Morocco	Holding company
SAS TEMPO HOLDING	100.00	100.00	Full consolidation	France	Holding company
CENT EOL DE FRUGES LA PALETTE	99.94	99.94	Full consolidation	France	Construction & sale Wind
CENT EOL AQUEDUC	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE SORBIERE	100.00	100.00	Full consolidation	France	Construction & sale Wind
THEOLIA FRANCE	100.00	100.00	Full consolidation	France	Construction & sale Wind
THEOLIA PARTICIPATIONS	100.00	100.00	Full consolidation	France	Construction & sale Wind
VENTURA	99.42	99.42	Full consolidation	France	Construction & sale Wind
CENT EOL DU GRAND CAMP	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DU PLATEAU DE RONCHOIS	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE SALLEN	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DES COSTIERES	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DES GARGOUILLES	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE CROIX BOUDETS	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE CHASSE MAREE	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DU MAGREMONT	99.54	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE LA VALLEE DE LA TRIE	99.54	100.00	Full consolidation	France	Construction & sale Wind
ASSET ELECTRICA	50.00	50.00	Equity method	Spain	Construction & sale Wind
PESA	100.00	100.00	Full consolidation	Spain	Construction & sale Wind
NATENCO HOLDING Gmbh	100.00	100.00	Full consolidation	Germany	Construction & sale Wind
NATENCO GMBH	100.00	100.00	Full consolidation	Germany	Construction & sale Wind
NATENCO SAS	100.00	100.00	Full consolidation	France	Construction & sale Wind
LES 4E	100.00	100.00	Full consolidation	France	Construction & sale Wind
NATENCO CZECH REP. IG	100.00	100.00	Full consolidation	Czech Republic	Construction & sale Wind
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00	100.00	Full consolidation	Greece	Construction & sale Wind
THEOLIA BRAZIL	100.00	100.00	Full consolidation	Brazil	Construction & sale Wind
CENT EOL DE CANDADES	79.54	80.00	Full consolidation	France	Construction & sale Wind
WP GROSS WARNOW GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Construction & sale Wind
AIOLIKI ENERGEIA SITHONIA AEBE	80.00	80.00	Full consolidation	Greece	Construction & sale Wind
THEOWATT	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOLIENNE DES SOUTETS	79.54	80.00	Full consolidation	France	Construction & sale Wind
CENTRALE EOL CHEM DE FER	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENTRALE EOL FORET BOULTACH	100.00	100.00	Full consolidation	France	Construction & sale Wind
THEOLIA GREECE	95.00	95.00	Full consolidation	Greece	Construction & sale Wind
THEOLIA CEE Gmbh	100.00	100.00	Full consolidation	Austria	Construction & sale Wind
Maestrale Green Energy Srl	100.00	100.00	Full consolidation	Italy	Construction & sale Wind
Maestrale Project Holding SA	50.32	50.32	Full consolidation	Italy	Construction & sale Wind
Neo Anemos Srl (Martignano 21 MW)	47.81	95.00	Full consolidation	Italy	Construction & sale Wind
MGE Giunchetto Wind Park SA	100.00	100.00	Full consolidation	Italy	Construction & sale Wind
Aerochetto Srl (Giunchetto 29.75 MW)	90.00	90.00	Full consolidation	Italy	Construction & sale Wind
MPH 1 SA (Giuggianello 28 MW)	100.00	100.00	Full consolidation	Italy	Construction & sale Wind
Avalon Ltd	100.00	100.00	Full consolidation	England	Construction & sale Wind
MGE Idea Srl	100.00	100.00	Full consolidation	Italy	Construction & sale Wind
THEOLIA HUNGARIA	100.00	100.00	Full consolidation	Hungary	Construction & sale Wind
THEOLIA POLSKA	99.90	99.90	Full consolidation	Poland	Construction & sale Wind
WP MUEHLANGER GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Construction & sale Wind
WINDENERGIE COESFELD-LETTE GmbH & Co	100.00	100.00	Full consolidation	Germany	Construction & sale Wind
CENT EOL DE COUME (CECOU)	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE MOTTENBERG	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE DAINVILLE	100.00	100.00	Full consolidation	France	Construction & sale Wind
CENT EOL DE DEMANGE	100.00	100.00	Full consolidation	France	Construction & sale Wind
Belmonte Green Energy Srl	90.00	90.00	Full consolidation	Italy	Construction & sale Wind
CE CHERMISEY	100.00	100.00	Full consolidation	France	Construction & sale Wind
CE BEAUDIGNECOURT	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC BIESLES	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC DAINVILLE	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC DEMANGE	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC LES PINS	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC SAINT BLIN	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC L'ARDECHE	100.00	100.00	Full consolidation	France	Construction & sale Wind
SNC LE CHARMOIS	100.00	100.00	Full consolidation	France	Construction & sale Wind

Maybe try 'Sale of electricity-Wind' for business activity

Companies	% interest	% control	Method of consolidation	Country	Activity
VESAIGNES	100.00	100.00	Full consolidation	France	Construction & sale Wind
TANGER MED WIND SA	95.14	95.14	Full consolidation	Morocco	Construction & sale Wind
THEOLIA MAROC SERVICES SA	95.14	95.14	Full consolidation	Morocco	Construction & sale Wind
THEOLIA SITAC WIND POWER PVT LIMITED (	50.00	50.00	Equity method	India	Construction & sale Wind
Mendicino Green Energy Srl	90.00	90.00	Full consolidation	Italy	Construction & sale Wind
CEBRE	100.00	100.00	Full consolidation	France	Construction & sale Wind
THEOLIA WIND POWER PVT (INDIA) ME	50.00	50.00	Equity method	India	Construction & sale Wind
COLONNE D ERCOLE SRL	100.00	100.00	Full consolidation	Italy	Construction & sale Wind
THEOLIA DEUTSCHLAND GMBH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
DRITTE BUSMANN WIND GmbH & Co. BETRIEB	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ZWANZIGSTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NEUNZEHNTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP SAERBECK GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ROYAL WIND	100.00	100.00	Full consolidation	France	Wind-based electricity sale
CEFF	100.00	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE SEGLIEN	100.00	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES PLOS	100.00	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DU MOULIN DE FROIDURE	100.00	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES SABLONS	99.42	100.00	Full consolidation	France	Wind-based electricity sale
CORSEOL SA	95.20	95.20	Full consolidation	France	Wind-based electricity sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WP VERWALTUNG GMBH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP BETRIEBS GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP HOPSTEN INVESTITIONS GMBH & CO KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP TUCHEN RECKENTHIN INVESTITIONS GMBH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK VERDEN 1 Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Sale of electricity Wind
WINDPARK VERDEN 2 Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH &	89.60	80.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK RABENAU Gmbh	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK MINDEN Gmbh	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH &	48.00	48.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK BETEILIGUNGS GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK ALSLEBEN BETEILIGUNGS	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK MANAGEMENT GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP ZABELSDORF GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP HECKELBERG-BREYDIN GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP GROSSVARGULA GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA MAROCCO	95.23	95.23	Full consolidation	Morocco	Wind-based electricity sale
WP NOTTULN GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP NIENBERGE GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
R.E.W. KRAENZLIN GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP RUHLSDORF GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDWIN GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDWIN VERWALTUNGS GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
CED	100.00	100.00	Full consolidation	Morocco	Wind-based electricity sale
SNC LES EOLIENNES DE BEL AIR	100.00	100.00	Full consolidation	France	Wind-based electricity sale
SNC LES EOLIENNES DU PLATEAU	100.00	100.00	Full consolidation	France	Wind-based electricity sale
WP Kreuzbuche Gmbh & Co.KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP Stolzenhain Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP Schenkendoebern Gmbh & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
NATURSTROMNETZ Gmbh ME	43.81	43.81	Equity method	Germany	Wind-based electricity sale
WP WALTROP Gmbh & Co.KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP KLEIN STEIMKE GmbH & Co. KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ATTILA HOLDING GmbH & Co.KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
ATTILA Management GmbH	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP NETPHEN GmbH & Co.KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale
WP GOTTBERG GmbH & Co.KG	100.00	100.00	Full consolidation	Germany	Wind-based electricity sale

Companies	% intrest	% control	Method of consolidation	Country	Activity
WF HAMM GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF HOXBERG GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF IDESHEIM GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF ILLERICH GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF LEOPOLDSHOEHE GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF NEUKIRCHEN-VLUYN GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF OSTBEVERN GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF FRANKENHEIM GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF SCHOENHOEHE GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF VERDEN GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF WEIMAR GmbH & Co. KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF WILLICH GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
ATTILA HOLDING 1 Gmbh	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF MEERBUSCH GmbH & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF OELDE Gmbh & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
WF VOGELSBERG Gmbh & Co.KG	100,00	100,00	Full consolidation	Germany	Wind-based electricity sale
CWP GmbH	52,00	52,00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA CANADA	99,98	99,98	Full consolidation	Canada	Non-wind activities
BIOCARB	96,73	96,73	Full consolidation	Switzerland	Non-wind activities
ECOVAL TECHNOLOGY SAS	100,00	100,00	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT	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
NEMEAU SAS	99,99	100,00	Full consolidation	France	Non-wind activities
THEOLIA PERMIERES NATIONS INC	99,98	100,00	Full consolidation	Canada	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
WINDREAM ONE	100,00	100,00	Full consolidation	France	Non-wind activities
ECOLUTIONS	16,77	0,00	Equity method	Germany	Non-wind activities
SERES MAGHREB	100,00	100,00	Full consolidation	Morocco	Non-wind activities
SERES CHINA	50,00	50,00	Equity method	China	Non-wind activities

Entering companies

An “entering” company is a company that has entered the scope of consolidation over the course of the last period.

The companies Asset Electrica, Sitac Wind Power and Seres China, 50% owned, are not fully consolidated due to the lack of effective [NB: term suggested as per IAS 27] control. The Group does not possess the majority of the votes in the Board of Directors of these companies. Furthermore, the rules of governance do not pertain to joint control.

Ecolutions is 35.2% owned by TEM which itself is 47.62% owned by Theolia SA. The percentage of interest is therefore 16.77%. However, due to the absence of effective control allowing a consolidation of the Company by means of full consolidation, the percentage of control indicated is 0%.

Thus, the consolidation of Ecolution through the equity method is justified by the fact that TEM (fully consolidated) only possesses 35.2% of the voting rights.

Financial flows of the Group

It is stated that for each project under development, THEOLIA sets up a project support company. The project financing is carried by the project support company, without recourse against the parent company (see paragraph 9.5.1).

A proportion of the lines of corporate credit (bank overdrafts and medium-term lines of credit for example) used in Germany within the framework of the activity of trading recently installed capacities is carried by the Company.

On the basis of the cash flow forecasts, the Company provides the necessary funds (mainly financing of working capital requirement), to its various subsidiaries. The Company reimburses central and local office overheads to the majority of its subsidiaries.

The other flows mainly concern the dividends payments and the loan reimbursements.

8. REAL ASSETS AND EQUIPMENT

The headquarters of the Group are located in Aix-en-Provence and are occupied under a lease agreed on February 28, 2009 for a period of 9 years as from March 1, 2009, with a waiver of the tri-annual termination clause under the terms of the contract.

8.1. REAL ASSETS AND EQUIPMENT BELONGING TO THE GROUP

Almost all of the Group’s assets are made up of the wind farm installations.

The Group does not own the land upon which the turbines are set up.

The wind farms are installed on land mostly leased by way of long-term occupancy agreements concluded with private individuals. No farm is installed on land leased under the terms of a precarious occupancy permit. Furthermore, none of this land is leased by the Group from persons making up part of its staff or from one of its company representatives.

At December 31, 2009, the Group operated 148 wind farms installed in France, Germany and Morocco. Some of these wind farms are not wholly-owned but operated in partnership with local developers. Furthermore at December 31, 2009, 9 wind farms were being built by the Group for third parties or in partnership.

The following table shows the wind farms owned by the Group at December 31, 2009, either outright or as part of a partnership, as well as those under construction, for third parties, for its own account or intended to be operated under partnership arrangements, in the various countries of installation.

Country	Number of wind farms in service	of those, owned by the Group outright/in partnership	Number of wind farms under construction	Construction for third parties/in partnership
France	13	8	4	4
Germany	134	23	2	0
Morocco	1	1	0	0
Italy	0	0	1	1
India	0	0	2	2

8.2. ENVIRONMENTAL CONSIDERATIONS THAT MAY INFLUENCE USE BY THE GROUP OF ITS FIXED ASSETS

All of the wind farm projects must be subject to an environmental assessment. In most of the countries in which the Group operates, the installation of wind farms is subject to the preliminary completion of an impact study and a public hearing.

The impact study must include, in particular, an analysis of the initial condition of the site and its environment, notably covering the natural resources and the natural agricultural, forest, maritime or leisure spaces affected by the construction or work and an analysis of the effects, direct and indirect, temporary and permanent of the project on the environment, and, in particular, on the fauna and flora, the sites and landscapes, the ground, water, air, climate, natural environments and biological balances, on the protection of property and cultural heritage and, if need be, on the neighborhood convenience (noise, vibrations, smells, light emissions) or on public hygiene, health and safety.

Furthermore, the Group is subject to legal obligations also providing that the operator of an installation producing electricity from mechanical energy from wind is responsible for its dismantling, and for restoration of the site at the end of the operation period.

9. OPERATING AND FINANCIAL REVIEW

9.1. GENERAL PRESENTATION

9.1.1. Introduction

The Group's activities are divided according to segmentation by business sector or by geographical region. With regard to the information by business sector, the Group operates in the wind sector in the following lines:

(a) Development,construction and sale of wind farms, on behalf of third parties or the Group.

(b) Operation of wind farms on behalf of third parties or the Group.

The segmentation of the Group's activities is also presented by geographical sector, the areas corresponding to the regions of sale of the products. These regions comprise France, Germany, and the rest of the world (including Italy).

The segmentation of the Group's activities is detailed in notes 2.22 and 26 to the consolidated financial statements for the financial year ended December 31, 2008, included in section 20.1.1 of this Reference Document.

9.1.2. Factors significantly influencing the Group's financial performance

The main factors significantly influencing the Group's financial performance are listed below:

- Change in weather conditions

Within the scope of its activities, the Group operates wind farms that generate electricity, on its own behalf and on that of third parties. Generation of this energy depends on the weather conditions, and the wind conditions in particular. These weather conditions therefore affect the financial performance of the wind farms in operation. The impact is felt directly on the revenues from electricity sales and therefore on the operating result. In 2009, the Group experienced a fall in revenues from electricity sales owing to deterioration in the weather conditions between 2008 and 2009.

- Profitability of farms in operation

The financial model of the wind farms is based on a long-term financing plan ranging from 15 to 20 years and is highly dependent on the revenues generated, which are likely to vary depending in particular on electricity retail prices, weather conditions (wind potential), the durability of the new financial and/or tax incentives introduced by regulatory authorities, turbine prices but also other factors such as customer solvency, trend in operating and maintenance costs, temporary or permanent shutdown of the production sites or any event that might result in reducing the profitability of the production sites.

With such a reduction in profitability, the Group would be exposed to depreciation tests on its non-current assets and might have difficulties meeting repayment dates for its financial debts. That could have a significant unfavorable effect on the Group's results.

- Trend of turbine prices, the main cost component of wind farms

The construction of a wind farm requires the delivery and assembly of many technical components, such as towers and air generators, which only a limited number of suppliers are able to supply to the Group. In a context of a rise in demand connected with the growth of the market and bearing in mind the limited number of suppliers, the price of the equipment required for the construction of a wind farm has increased significantly over the last few years. This has led to a higher cost basis of assets and consequently the recording of greater depreciation, and an overall cost for the project giving rise to a higher financing requirement, which has had a significant impact on the Group's results (see section 4.1.11).

Recently, a fall in the price of this equipment was noted, which should have an impact on the Group's future results.

- Trend of project financing conditions

Within the scope of its activities, the Group is led to develop and finance projects concerning electricity generating stations. The Group finances its projects with equity and debt. The external financing made available for each project has limited recourse to the shareholders of the Company carrying the project and is structured in such a way that the cash flows of each project are sufficient to service the debt (see section 9.5.1). As of the filing date of this Reference Document, the Group is continuing to have access to financing under market conditions.

Bearing in mind the importance of the bank financing required for the operation of a wind farm, any introduction of new credit gives rise to an increase in financial expenses for the Group. The same applies when interest rates rise.

Moreover, when the loans arranged by the Group are hedged through the use of derivative instruments, the trend of their valuation has a positive or negative impact on the financial result.

- Pace of commissioning of the Group's wind farms

The development, construction and sale of wind farms follow a production cycle extending over several years. The rate of commissioning strongly affects the Group's capacity to generate revenues from the resale of farms.

During the construction stage, the assets are established and reported as fixed assets; the Group will only start to receive revenues from wind farms after this stage and during the production stage, during which the Group benefits more often than not from a long-term electricity purchase contract (15-20 years). It should be noted that a plant may start production at year-end, from which date its asset is fully reported in the accounts, while it is only in the following year that the revenues generated by it will be reported for the whole year. This schedule consequently affects the comparability of financial years and the calculations of return on the invested capital.

In fact, authorizations to operate and building permits have to be obtained for the construction of a wind farm. Applications must be made with different national and local authorities and it is often a long and complex process before permits are obtained.

Failure to obtain a building permit or authorization to operate, or recourse proceedings against certain applications for building permits or authorizations, could have a significant unfavorable effect on the Group's results; the values posted in the assets of the balance sheet may then be subject to significant depreciation.

The construction of wind farms should also take into account any event likely to delay the Group's capacity to supply a facility within the stipulated periods and costs, such as adverse weather conditions, difficulties in connection to the grid, construction defects, delays in supply or lack of supply by the suppliers or even recourse proceedings initiated by third parties. Any delay in the construction stage could give rise to a delay in the date of operational start-up and therefore revenues will be reported from a date than later than the date contemplated by the project profitability model.

Suspended in 2008, the specific activities of the German subsidiary of selling wind farms or wind farm projects were resumed in 2009. This historic activity of the German subsidiary Natenco generated revenue from sales, enabling the Group to reduce the impact of its project development costs and its general expenses; it now constitutes a tool for the optimization and recovery of its portfolio. The revenues and margins it generates, which are posted in the operating result, vary from one year to the next depending on the size and number of projects sold and their sale price. The Company has also developed a new strategy described in section 6.5.2.

- Acquisitions (company re-organization)

The Group experienced extremely strong external growth in the past. These acquisitions led to the reporting of higher amounts of goodwill, particularly on account of the high market prices. The Group was then highly exposed to the risk of depreciation of this goodwill.

The financial crisis highlighted rates of impairment of all the Group's intangible and tangible assets, leading to the need for depreciation tests to be carried out. This resulted in very significantly degrading the financial performance for the year ended December 31, 2008.

The Group is currently less exposed, since the amount of goodwill has been depreciated, but any fall in value could have a negative impact on the Group's results.

- Sales of non-strategic assets

In order to concentrate on its wind business, the Group has begun a program for the sale of its non-wind assets and some of its wind assets. Bearing in mind the current market conditions, the cash flow difficulties of many operators and contracting of the credit market, the Group cannot guarantee that it will be able to make the planned sales, under price conditions in line with the assumptions made, on which its forecast results are based.

The regulatory frameworks, the tariff conditions and the mechanisms and levels of aid vary significantly from one country to another and therefore lead to different levels of profitability depending on the countries in which the Group is established. In particular, the Group's results may vary depending on the mechanisms of direct and indirect subsidies, tax exemption mechanisms, possible adjustment clauses and clauses fixing the conditions of renewal, or even different periods for obtaining permits and authorizations for the projects developed. Nevertheless, once the electricity purchase contract has been concluded for an operating plant, the Group generally benefits from a stabilized framework for a long period (on average 15 to 20 years), subject to limited adjustments in certain countries.

9.1.3. Income statement data

The income statement presented in the annual financial statements 2008 is prepared in accordance with the IFRS. The main items are explained in notes 2.4 and 2.20 to the consolidated financial statements presented in section 20.1.1 of this Reference Document.

9.2. RESULTS OF OPERATIONS

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

Consolidated financial statements (in thousands of euros)	12/31/2008	12/31/2007 Reported	12/31/2007 restated IFRS 5
Revenue	69,956	306,481	288,134
Current operating income	(67,299)	(3,250)	438
Operating income	(196,460)	(38,726)	(37,517)
Financial income	(39,082)	(7,941)	(6,989)
Share in the income of associated companies	(3,842)	589	(85)
Taxes	11,936	(2,729)	(2,777)
Pretax result of discontinued activitie or held for sale	(16,650)	N/A	(1,257)
Net income	(244,098)	(48,807)	(48,625)

Following the application of IFRS 5 to activities held for sale most of the companies involved in the Group's non-wind activities were withdrawn from the various items in the consolidated income statement, to be regrouped into a single item "income net of tax from discontinued activities or held for sale". In order to allow a comparison with the previous financial year, the 2007 income statement was restated following the impact of the entities in the environmental sector concerned (Seres Environnement, Ecoval 30, SAEE, SAPE, Némeau, Therbio, CS2M and Thenergo).

Applying IAS 8, three errors recorded in the financial statements as of December 31, 2007 gave rise to restatements mainly affecting the consolidated balance sheet. The detailed presentation of the effects on the financial statements as of December 31, 2007 is described in note 2.1. of the notes to the consolidated financial statements as of December 31, 2008, indicated in section 19.1 of this reference Document. The extracts from the balance sheet as of December 31, 2007 mentioned below for comparative purposes are shown in their restated form.

9.2.1. Revenue

9.2.1.1. Analysis of the consolidated revenue per activity

Analysis of the consolidated revenue per activity as of December 31, 2008

(in thousands of euros)	12/31/2008	12/31/2007 Reported	12/31/2007 restated IFRS 5
Consolidated revenue	69,956	306,481	288,134
Sale of wind-generated electricity on own behalf	55,540	26,883	26,883
Sale of wind-generated electricity on behalf of third parties	43,454	27,028	27,028
Construction – Sales of wind farms to third parties	(18,236)	218,423	218,423

Non-wind activities	(10,802)	34,147	15,800

The Group's consolidated revenue totaled 70 million euros as of December 31, 2008, compared to 88 million euros (restated according to IFRS 5) as of December 31, 2007. This consolidated revenue for the financial year was adjusted by two main factors:

- The cancellation of the sale of a wind farm in Germany that took place at the end of 2007, owing to the purchaser's inability to obtain financing in 2008, which penalized the "Sales of wind farms to third parties" in an amount of 17 million euros;

- The cancellation of the sale of a solar farm recorded at the end of 2007, owing to the purchaser's inability to obtain financing in 2008, which penalized the non-wind activities in an amount of 14.4 million euros.

Sale of wind-generated electricity

Sales of wind-generated electricity, on the Company's own behalf and on that of third parties, rose from 53.9 million euros in 2007 to 99 million euros in 2008, recording a growth of 83%.

Sales of electricity from wind farms owned by the Group more than doubled over the period. The installed capacity for its own account rose from 333 MW as of December 31, 2007 to 360 MW as of December 31, 2008. The marked growth in revenue from this activity reflects the impact of the full-year consolidation of the wind farms acquired by the Group in Germany in July 2007 for a capacity of 165 MW. The electricity sales on behalf of third parties in 2009 increased in relation to 2008. As of December 31, 2009, the total number of MW generated on behalf of third parties reached 461 MW, compared to 311 MW as of December 31, 2008.

Construction and sales of wind farms to third parties

In 2008, the Group did not record any sales of wind farms, while sales of wind farms to third parties generated 218 million euros in 2007. This was the result of a decision of the Group Management, prior to the organizational changes that took place in October 2008. This decision was then reversed by the new Management in order to resume sales of wind farms to third parties. Bearing in mind the commercial cycle that may extend over several months, sales of wind farms only resumed in 2009.

Non-wind activities

The application of IFRS 5 concerning activities held for sale led the Group to restate the revenue of most of the non-wind entities in 2007 for a total amount of 18.3 million euros, and not to post the revenue of these entities in 2008.

The difference in the revenue from non-wind activities between 2007 and 2008 is explained by the sale of a solar farm in Germany at the end of 2007 for an amount of 14.4 million euros. On a comparable basis, the revenue from non-wind activities grew over the period.

As previously stated, the Group is continuing to sell these non-strategic activities.

Analysis of the consolidated revenue by activity as of June 30, 2009 and as of September 30, 2009

Applying IFRS 8 and for purposes of clarification, since the publication of its revenue for the first quarter 2009, the Group has redefined its segments of activity as follows:

(1) **Sales of electricity on the Company's own behalf** correspond to the sale of electricity generated by the wind farms owned by the Group;

(2) **Development, construction and sales** include the development, construction and sale of wind projects and farms;

(3) **Operation** includes management of wind farms on behalf of third parties and the sale of electricity generated by the wind farms managed but not owned by the Group;

(4) **Non-wind activities** are non-strategic and being disposed of.

The redefinition of the operating sectors originating from the application of IFRS 8 did not lead to a redefinition of the CGU. The breakdown of goodwill by CGU was therefore not affected.

The revenue from Sales of electricity on the Company's own behalf, totaling 27.7 million euros, was down 11% on the first half 2008, owing to unfavorable wind conditions in Germany and in France in the first quarter 2009.

The revenue from Development, construction and sales amounted to 57.2 million euros. As indicated, the Group resumed sales of wind farms to third parties in Germany: 35.5 MW were sold during the first quarter 2009 and 3 MW during the second quarter. No sales of wind farms had taken place in 2008.

Revenue from Operation included the farm management fees and the revenue from the sale of electricity generated. At 19 million euros, it is down 17% on the first half 2008, owing to unfavorable weather conditions in Germany.

The revenue from non-wind activities for the first half of 2009 originated mainly from the sale of electricity generated by the solar farm owned by the Group. The other activities had been withdrawn from the scope of consolidation as of December 31, 2008, applying IFRS 5.

The consolidated revenue of the THEOLIA Group amounted to 104.9 million euros for the first half 2009, up 85% compared to the first half 2008.

(in thousands of euros)	Wind activities			Non-wind activities (1)	**Consolidated total (1)**
	Sale of electricity on the Company's own behalf	Development, construction and sale	Operation		
First half 2009	27,733	57,244	19,075	875	**104,926**
First half 2008	31,200	(11)	23,057	2,184	**56,429**

(1) Restated following the application of IFRS 5 concerning discontinued activities or held for sale.

The consolidated revenue of the THEOLIA Group amounted to 232.7 million euros for the first nine months of 2009, more than three times as high as the first nine months of 2008.

(in thousands of euros)	Wind activities			Non-wind activities (1)	**Consolidated total (1)**
	Sale of electricity on the Company's own behalf	Development, construction and sale	Operation		
First nine months 2009	37,157	168,023	26,102	1,435	**232,717**
First nine months 2008	39,930	9	32,882	3,252	**76,072**

(1) Restated following the application of IFRS 5 concerning discontinued activities or held for sale.

Analysis of the consolidated revenue per quarter in 2008 and 2009

in thousands of euros	**2008**	**2009**	**Change**
First quarter			
Sale of electricity	21,473	15,667	-27%
Operation of wind farms	16,923	10,365	-39%
Development, construction and sale	0	51,904	-
Non-wind activities	775	307	-60%
Consolidated total	39,171	78,242	+100%
Second quarter			
Sale of electricity	9,727	12,066	+24%
Operation of wind farms	6,134	8,711	+42%

Development, construction and sale	(11)	5,340	-
Non-wind activities	1,409	568	-60%
Consolidated total	17,259	26,685	+55%
Third quarter			
Sale of electricity	8,730	9,424	+8%
Operation of wind farms	9,825	7,027	-28%
Development, construction and sale	20	110,779	>1,000%
Non-wind activities	1,067	560	-48%
Consolidated total	19,643	127,791	+551%
9-month consolidated total	76,072	232,717	+206%
Sale of electricity	39,930	37,157	-7%
Operation of wind farms	32,882	26,102	-21%
Development, construction and sale	9	168,023	>1,000%
Non-wind activities	3,252	1,435	-56%

9.2.1.2. Analysis of the consolidated revenue by geographical area

Analysis of the consolidated revenue by geographical area as of December 31, 2008

The distribution of consolidated revenue by geographical area is shown below:

(in thousands of euros)	12/31/2008	12/31/2007 Reported	12/31/2007 restated IFRS 5
Consolidated revenue	69,956	306,481	288,134
France	11,651	35,920	24,897
Germany	50,346	263,147	263,147
Rest of world	7,959	7,413	89

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

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

Excluding sales of wind farms to third parties, the consolidated revenue as of December 31, 2008, was down in Germany in relation to December 31, 2007 (restated according to IFRS 5) on account of the cancellation of two sales made at the end of 2007, affecting performance in 2008 by an amount of 31.4 million euros.

The marked growth in revenue in the rest of the world is mainly explained by the recording in 2008 of electricity sales from the wind farm in Morocco, CED, acquired at the start of 2008.

Analysis of the consolidated revenue by geographical area as of June 30, 2009 and as of September 30, 2009

(in thousands of euros)	06/30/2009	06/30/2008
Consolidated revenue	**104,926**	**56,429**
France	7,156	6,706
Germany	94,284	45,468
Rest of world	3,486	4,255

(in thousands of euros)	09/30/2009	09/30/2008
Consolidated revenue	**232,717**	**76,072**
France	11,908	9,402
Germany	215,848	60,588
Rest of world	4,961	6,082

The marked growth in revenue in Germany is mainly explained by the resumption of sales of wind farms operating in Germany, with sales of 38.5 megawatts (MW) in the first half of 2009.

9.2.2. EBITDA

9.2.2.1. Method of calculation

In order to increase transparency and to comply with generally accepted best practices , the Group decided to change the presentation of its EBITDA in order to bring it into line with the methods of calculation generally used by the financial community and recommended by the AMF.

Up to 2007, the EBITDA did not include either provisions on current assets or charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2).

As from the end of 2008, the Group decided to incorporate these two items into the calculation of its EBITDA. Consequently, the Group EBITDA is defined as follows: EBITDA = current operating income + depreciation and amortization charges + provisions for potential liabilities.

The impact of this decision is very significant with regard to the Group EBITDA in 2008. It amounts to 42.2 million euros and is distributed as follows (in millions of euros):

EBITDA 2008 – new presentation	(37.8)
Depreciation of trade debts	17.1
Provision of payment on account for turbines reserved	10
Charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2)	9.7
Provision for depreciation of turbines in stock	3.1
Depreciations of inventory	2.3
EBITDA 2008 – old presentation	4.4

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

The table illustrating the reconciliation of EBITDA to the operating income for the last two financial years is as follows:

(in thousands of euros)	06/30/2009	12/31/2008	12/31/2007 Published	12/31/2007 restated IFRS 5
EBITDA (1)	**25,374**	**(37,821)**	**14,636**	**12,196**
Net depreciation and amortization charges and provisions for potential liabilities	(14,907)	(29,479)	(17,886)	(11,759)
Current operating income	**10,467**	**(67,299)**	**(3,250)**	**437**
Other non-current proceeds and charges	292	(22,584)	21,014	22,791
Impairment	(8,783)	(106,577)	(56,490)	(60,746)
Operating income	**1,976**	**(196,460)**	**(38,727)**	**(37,517)**

(1) Calculated according to the new presentation adopted in 2008, incorporating the provisions on current assets and charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2) into the EBITDA.

9.2.2.2. Analysis of the consolidated EBITDA

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

It should be noted, however, that the EBITDA from "Electricity sales", the business core of the THEOLIA Group, progressed strongly over the period. It rose from 17.8 million euros as of December 31, 2007 to 39.7 million euros as of December 31, 2008, recording a growth of 123% over the period.

This marked growth is, however, offset by three major negative impacts:

- The lack of sales of wind farms to third parties;

- The posting of many non-recurring items;

- The charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2) for an amount of 9.7 million euros.

Following the decision of the previous Management to suspend the main activities of its German subsidiary, the sale of wind farms, the Group did not record any sales of wind farms over the financial year 2008. A significant portion of the subsidiary's operating costs was consequently not absorbed and directly affected the Group EBITDA. These expenses represent a charge of around 8.2 million euros over the financial year 2008. It is recalled that the new Group Management reactivated sales of wind farms at the end of 2008, which only resumed in 2009.

Moreover, following the ambitious development policy conducted by the previous Management, the Group recorded non-recurring charges and provisions affecting the EBITDA in an amount of 44.7 million euros over the financial year 2008, mainly connected with the penalties for the termination of certain contracts (particularly with the turbine manufacturers) and the closure of certain subsidiaries (Spain, Greece and Eastern Europe), as well as the cancellation of two sales made in 2007.

These non-recurring charges and provisions are mainly distributed as follows (in thousands of euros):

Write-off of debt following the sale of Thenergo	15,000
Provision of an advance payment on turbines reserved	10,000
Non-recurring sponsorship, audit and external reports and legal expenses	4,197
Loss of margin on cancellation of two sales made in Germany in 2007	3,615

Provision for depreciation of turbines in inventory	3,119
Penalties on contract with a turbine manufacturer (following a volume of purchases of turbines below the minimum stipulated in the contract)	2,670
Additional commission on purchases/sales of wind farms in Germany	2,200
Establishment costs in Morocco and costs connected with the closure of subsidiaries in Spain, Greece and Eastern Europe	2,045
Operating losses of the environment branch (excluding discontinued activities and removed from the scope pursuant to IFRS 5)	1,378

The non-recurring charges concern non-renewed expenses caused by the Group holding company's cost reduction program (suspension of sponsorship transactions, internalization of works previously assigned to external providers, etc.).

The cancellation of the sales of the Merzig and Weimar farms in Germany gave rise to cancellation of the margin made on the initial sale. Note 5 of the notes to the consolidated financial statements as of December 31, 2008 provides more information.

The turbines acquired by THEOLIA from the wind turbine manufacturer Suzlon for an amount of €20,110,000 had to be depreciated by €3,119,000 owing to the fall in their recoverable value recorded at the 2008 year-end.

Owing to cash difficulties experienced by the Group in 2008, the volume of purchase of turbines had to be reduced, causing the Company to pay penalties to the suppliers.

The structural costs of companies in the course of closure mainly consist of employee and operating costs. Bearing in mind the interruption of activities, these expenses are deemed to be non-recurring.

The proceeds from the sale of Thenergo shares announced by the Group at the end of 2008, which the payment due date in mid January 2009, had not been collected on the date of publication of the 2008 annual report. THEOLIA sought recourse through arbitration in order to recover the full amount of its debt held against Hestiun or to cancel the sale and recover the shares sold. The Company adopted a conservative position and chose to write off the entire debt, i.e. an amount of 15 million euros. Since payment had been received on 6 May last, this provision was reinstated in the accounts as of June 30, 2009.

The charges resulting from the implementation of the free share and equity warrant allocation plan (IFRS 2) amounted to 9.7 million euros in 2008, compared to 11.8 million euros published in 2007. These allocations were made at the beginning of 2008.

The Group's consolidated EBITDA as of June 30, 2009 amounted to 25.4 million euros:

(in thousands of euros)	Wind activities			Non-wind activities	Corporate	Consolidated total
	Sale of electricity on Company's own behalf	Development, construction and sale	Operation			
First half 2009	19,295	(323)	(271)	212	6,461	25,374

(1) Restated following the application of IFRS 5 concerning discontinued activities or held for sale.

The very marked growth in the consolidated EBITDA is mainly explained by:

- The resumption of sales of wind farms in Germany which almost allowed a restoration of breakeven of the Development, construction and sale activities;
- Reinstatement of the bad debt provision following the sale of Thenergo for an amount of 15 million euros, which had a marked impact on the EBITDA of the Corporate business. Since the proceeds from the sale had not been collected at the end of April, a provision had been made for the entire debt in the financial statements as of December 31, 2008. Since payment had been received on May 6 last, this provision had been reinstated in the financial statements as of June 30, 2009.

Following the same trend as the revenue, the EBITDA from Electricity sales on the Company's own behalf and Operations was down, since the majority of the operating charges in these segments are fixed.

The EBITDA was also marked by non-recurring charges for a total amount of 4.6 million euros.

9.2.3. Net depreciation and amortization charges

The depreciation and amortization charges recorded in 2008 amounted to 26.6 million euros, compared to 11.4 million euros (restated according to IFRS 5) for 2007. This increase reflects the growth in the Group's installed capacity, particularly the full-year reporting in 2008 of the farms provided by GE Energy Financial Services in mid 2007.

The depreciation and amortization charges recorded as of June 30, 2009 amounted to 14.9 million euros, compared to 13.4 million euros (restated according to IFRS 5) for June 30, 2008. This increase originates from the commissioning that took place in the second half 2008.

9.2.4. Operating income

9.2.4.1. Current operating income

The Group's current operating income showed a loss of 67.3 million euros as of December 31, 2008, compared to a profit of €438,000 (restated according to IFRS 5) as of December 31, 2007.

The Group also recorded certain provisions having an impact on the current operating income for the financial year 2008 in an amount of 2.2 million euros.

The Group's current operating income showed a profit of 10.5 million euros as of June 30, 2009, compared to a loss of 14.6 million euros (restated according to IFRS 5) as of June 30, 2008.

9.2.4.2. Operating income

The Group's operating income showed a loss of 196.5 million euros as of December 31, 2008, compared to a loss of 37.5 million euros (restated according to IFRS 5) for 2007.

This marked fall is mainly explained by the recording of substantial non-current charges over the financial year 2008.

The ambitious development policy conducted by the previous Management led to several acquisitions, some of which were carried out in a very active, rising world market. Tests on the fair value of the goodwill and fixed assets have to be carried out at least once a year, particularly when a rate of impairment is detected. In the environment at the end of 2008, this resulted in classification, followed by posting of significant impairment of goodwill and depreciation of assets as of December 31, 2008.

According to IAS 36, the current value of an asset, which is used to calculate any impairment or depreciation of an asset, corresponds to the higher of:

- the fair value of the asset (comparison made with the market prices recorded on an active market) less costs of sale;

- its useful value, i.e. the discounted value of expected future cash flows of this asset during the period of use of the asset.

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

Both in 2007 and at the start of 2008, the wind market remained very active with many transactions recorded in Europe. This helped maintain prices. During the course of the financial year 2008, THEOLIA carried out these tests during the second half, when a marked slowdown of the market was noted, connected with the financial crisis.

Following the scarcity of transactions recorded and the general economic downturn since September 2008, the criteria of an active market, and therefore reference to the market value, have not been adopted by the Group to determine the current value. The useful value established by the expected future cash flow method was thus adopted as the most suitable approach for determining current values at the end of 2008.

This approach thus indicated significant depreciation connected with past acquisitions.

The non-current charges and provisions affecting the operating income for the financial year 2008 stood at 129.3 million euros and are distributed as follows (in thousands of euros):

Impairment of goodwill, essentially in Germany (56.8) and Morocco (15.0)	77.6
Depreciation of assets essentially in Germany (15.2) and Spain (11.3)	28.0
Impairment and depreciation subtotal (application of IAS 36)	105.6
Other depreciation	1.0
Loss on sale of Thenergo shares	22.6

The Company recalls that determining the current value by the discounted future cash flow method is based on an historic principle of zero end value per project (contract). Amortization is recorded in full over the lifetime of the electricity sale contract, without any extension of the lifetime of the turbines beyond the lifetime of the contract in force, which is 15 years in France and 20 years in Germany.

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

- A dilution profit of 22.9 million euros following the offering of the shares of Thenergo concomitantly with its listing on Alternext; and

- An impairment of the goodwill relating to the acquisition of farms from GE Energy Financial Services for an amount of 56.5 million euros.

The Group's operating income as of June 30, 2009 amounted to 2 million euros, compared to a loss of 14.6 million euros as of June 30, 2008 (restated according to IFRS 5).

The consolidated operating income also had an impact, however, with the recording of non-current charges for a total amount of 10.3 million euros, distributed as follows:

Adjustments to values of 5.9 million euros (Morocco and Spain);

Impairment of goodwill for 2.1 million euros (Morocco);

Various provisions for a total amount of 2.3 million euros.

9.2.5. Financial result

The financial result fell from –7 million euros (restated according to IFRS 5) for the financial year 2007, to –39.1 million euros as of December 31, 2008. This increase is mainly due to:

- The recording of interest expense for the whole year connected with the OCEANEs (convertible bonds); the interest calculated according to the effective interest rate, in accordance with the IFRS on the subject, amounted to 13.5 million euros over the financial year 2008; since this convertible bond had been contracted in October 2007, the interest calculated according to the effective interest rate had amounted to 2.3 million euros in 2007;

- The evaluation of the fair value of the interest-rate swaps on certain loans in France: since no financial instrument hedging was recorded, the mark to market valuation of the interest-rate swaps generated a loss of €9M in the consolidated financial statements as of 12/31/2008;

- The impairment of the current account of Asset Electrica (the company which owns the connection line to the grid of a project formally developed in Spain) in respect of THEOLIA, following the decision to close down activities in Spain, for an amount of 2.9 million euros;

- The write-off of loans granted to customers in Germany for an amount of 2.7 million euros.

The Group's financial result as of June 30, 2009 comprised a loss of 14.9 million euros, essentially consisting of net charges of interest on loans for an amount of 14.4 million euros, of which 6.7 million euros related to the OCEANE (convertible bonds) and a charge of 1.2 million euros in respect of the fair value of interest-rate swaps.

9.2.6. Corporation tax

The tax proceeds recorded in 2008 amounted to +11.9 million euros and are mainly explained by the following:

- The recording of a tax debt connected with the tax deficits of the Group's German subsidiary (Natenco) for an amount of +5 million euros. The forecast results for the financial years 2009 to 2011 of the main German subsidiary, Natenco GmbH, allowed the activation of a deferred tax debt generated by its tax deficits.

- An overall tax effect connected with IFRS accounting restatement.

The tax proceeds recorded as of June 30, 2009 amounted to 2.6 million euros and are mainly explained by the deferred taxes associated with impairment as well as negative changes in the fair value of the swaps.

9.2.7. Share of companies valued by the equity method

The associated companies' share in the result showed a loss of 3.8 million euros over the financial year 2008, of which 3.5 million euros correspond to the loss of Asset Electrica (consolidated at 50% by the equity method), mainly due to the depreciation of its assets of 8.7 million euros (for 100% holding).

The associated companies' share in the result showed a loss of 0.9 million euros over the first half 2009, mainly corresponding to the loss made over the period by Ecolutions (consolidated at 35.29% by the equity method).

9.2.8. Group share of net income

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

Finally, the item "result net of tax of activities stopped or being disposed of", grouping together the companies involved in the Group's non-wind activities affected by IFRS 5 relating to activities being disposed of, posted a loss of 16.7 million euros for 2008, compared to a loss of 1.3 million euros (restated according to IFRS 5) in 2007.

The net income as of June 30, 2009 showed a loss of 14.1 million euros, compared to a loss of 26.2 million euros as of June 30, 2008 (restated according to IFRS 5). This result includes the loss made by the companies held for sale, restated according to IFRS 5, i.e. 2.9 million euros as of June 30, 2009 compared to 3.2 million euros as of June 30, 2008.

9.2.9. Analysis by activity

The table below shows the revenue, EBITDA and current operating income as of December 31, 2008, by activity:

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

(1) EBITDA is calculated according to the new presentation adopted in 2008, including the provisions on current assets and the charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2).

- <u>Sale of wind-generated electricity</u>

The EBITDA/revenue ratio for this activity amounted to 40.11% and is allocated as follows:

- EBITDA/revenue ratio on the Group's own behalf: 69.20%;

- EBITDA/revenue ratio on behalf of third parties: 2.84%.

When the farms are operated on the Group's own behalf, it retains the entire margin made on the sale of electricity. When it operates farms on behalf of third parties, however, almost the entire margin is retained by the owner, the operator's margin only representing 2-5% of the revenue from the sale of electricity. This performance is largely in line with the management targets set by the Group.

- <u>Construction and sale of wind farms to third parties</u>

The EBITDA from this activity recorded a loss of 282.4 million euros, primarily due to the following three factors:

- Cancellation of the sale of a wind farm in Germany, made in 2007, on account of the purchaser's incapacity to obtain financing in 2008. This cancellation gave rise to:

  - Cancellation of revenue of 17 million euros;

  - A loss of margin of 2.7 million euros;

- The total lack of sales of wind farms in 2008, giving rise to the non-absorption of a significant share of the structural expenses of the German subsidiary for around 8.2 million euros;

- The posting of non-recurring charges and provisions for an amount of 9 million euros.

- <u>Non-wind activities</u>

Following the application of IFRS 5 on activities held for sale, the impact of most of the non-wind companies (Seres Environnement, Ecoval 30, SAEE, SAPE, Némeau, Therbio and CS2M) was grouped together in a single item, "net result of activities held for sale". The non-wind activities not subject to IFRS 5 mainly comprise the non-wind activities of Natenco, and the companies Biocarb, Ecoval Technology SAS and THEOLIA Canada.

The EBITDA from these activities showed a loss of 2.3 million euros, of which 900,000 euros comprised a loss of margin following cancellation of the sale of a solar farm in Germany in 2007.

- <u>Holding company</u>

The EBITDA in this sector, mainly composed of THEOLIA SA, the Group's registered office, indicated a loss of 46.8 million euros, essentially due to the charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2) for an amount of 9.7 million euros and the posting of non-recurring charges and provisions for a total of 30.6 million euros, including the following main amounts:

Write-off of debt following the sale of Thenergo	15,000
Provision of an advance payment on turbines reserved	10,000
Non-recurring sponsorship, audit and study charges and legal expenses	4,197
Structural costs in Morocco and costs connected with the closure of the Spanish subsidiary	1,022

The table below shows the revenue, EBITDA and current operating income as of June 30, 2009, by activity:

(in thousands of euros)	Sale of electricity for own account	Development, Construction, Sale of wind farms	Operations	Non-wind activities	Corporate	Consolidated total
Revenue	27,733	57,245	19,075	875	-	104,929
EBITDA (1)	19,295	(323)	(271)	212	6,461	25,374
Current operating income	7,298	(1,466)	(290)	(871)	5,795	10,467

(1) It is recalled that the EBITDA is calculated according to the new presentation adopted in 2008, including the provisions on current assets and the charges resulting from the implementation of free share and equity warrant allocation plans (IFRS 2).

Applying IFRS 8 and for purposes of clarification, the Group redefined its segments of activity as follows:

The Sale of electricity on the Group's own behalf corresponds to the sale of electricity produced by the wind farms owned by the Group;

Development, construction and sale includes the development, construction and sale of wind projects and farms;

Operation includes the management of wind farms on behalf of third parties as well as the sale of electricity produced by the wind farms managed but not owned by the Group;

Non-wind activities are not strategic and currently held for sale.

- Sale of electricity on the Group's own behalf

Revenue from the Sale of electricity on the Group's own behalf of 27.7 million euros was down 11% on the first half 2008, owing to unfavorable wind conditions in Germany and in France during the first half 2009.

The EBITBA/revenue ratio in this sector of activity was 70%, which was less than in the previous half-year.

Depreciation and amortization, amounting to 12 million euros, constituted 44% of the revenue generated. This remains very significant and is closely connected with the practice of depreciation and amortization over the lifetime of contracts (15 to 20 years).

- Development, construction and sale of wind farms

Revenue from Development, construction and sale amounted to 57.2 million. As announced, the Group resumed sales to third parties of wind farms in Germany: 35.5 MW was sold during the first quarter 2009 and 3 MW during the second quarter. No sale of wind farms had taken place in 2008.

The EBITDA made by this sector of activity was slightly negative. Despite the sales of projects, the margin released was absorbed by the external and employee costs specific to that sector.

- Operations

Revenue from Operations includes the farm management fees and the revenue resulting from the sale of the electricity produced. At 19 million euros, it is 17% down on the first quarter 2008, owing to unfavorable weather conditions in Germany. The EBITDA in this sector is slightly negative owing to a low margin and an insufficient volume which does not allow all the structural costs to be absorbed.

- Non-wind activities

Revenue from Non-wind activities for the first half 2009 mainly originated from the sale of electricity produced by the solar farm owned by the Group. The other activities had been removed from the scope of consolidation as of December 31, 2008, applying IFRS 5.

- Corporate

The reinstatement of the bad debt provision resulting from the sale of Thenergo for an amount of 15 million euros, had a marked impact on the EBITDA of Corporate activities. Since the proceeds from the sale had not been collected at the end of April, full provision had been made for the debt in the financial statements as of December 31, 2008. Since payment had been received on May 6 last, this provision had been reinstated in the financial statements as of June 30, 2009.

Despite this reinstatement of provision, the EBITDA was negatively impacted by the structural costs not invoiceable to subsidiaries of THEOLIA SA.

9.3. CASH AND CAPITAL RESOURCES

The table below provides a summary of the change in cash recorded over the financial year and the nature of the cash flows.

	30/06/2009	31/12/2008	31/12/2007 (Restated)
Gross self-financing margin	12,723	(8,067)	27,214
Change in requirement for working capital connected with activities	10,533	(129,192)	2,639
Corporation tax	(1,286)	(8,715)	240

Flows connected with discontinued activities	(1,166)	(1,751)	-
Cash flow from operating activities	20,803	(147,725)	30,093
Cash flow from investment activities	(2,894)	(73,727)	(136,663)
Cash flow from financing activities	(27,049)	(12,184)	369,459
Effect of interest-rate fluctuations	41	70	(111)
Changes in cash and cash equivalents	(9,099)	(233,567)	262,778
Net cash and cash equivalents at opening	90,819	325,920	63,142
Net cash and cash equivalents at closure of activities abandoned	-	1,533	-
Net cash and cash equivalents at closure	81,720	90,819	325,920

As of December 31, 2009, the Group's cash was positive at 96 million euros (not audited).

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

- Cash flow from operating activities

The gross self-financing margin was negative at 8 million euros as of December 31, 2008.

The change in the requirement for working capital connected with the activities was negative at 129.2 million euros. The marked increase in the requirement for working capital was directly connected with the following events:

- Lack of sales of wind farms over the financial year giving rise to:
    - Storage of many projects acquired over the financial year and not resold at closure;
    - Reduction in customer debts owing to the non-issue of invoices;
- Cancellation of sales of a wind farm and solar farm in Germany made in 2007, giving rise to the inventory of projects.

Overall, the cash flow from operating activities was negative at 147.7 million euros as of December 31, 2008, and was adversely affected by an increase in stock of 137.2 million euros.

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

- Cash flow from investment activities

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

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

The change in loans and advances was positive at 36.5 million euros, mainly originating from the cancellation of sales of Natenco GmbH in 2007 (see section 9.2.1.1).

Finally, the effects of the changes in scope amounted to 64.6 million euros, essentially originating from the acquisition of Compagnie Eolienne du Détroit in January 2008.

- Cash flow from financing activities

The financing transactions conducted over the financial year showed a negative balance as of December 31, 2008 connected with:

Arrangement of loans and other debts	€102,304,000
Repayment of loans and current accounts	€ (91,063,000)
Payment of interest	€ (24,497,000)

The Group's available cash position improved over the first half 2009, particularly thanks to the collections resulting from the sales of Thenergo, wind projects in France and farms operating in Germany. The Group anticipated stabilizing its cash situation with the execution of its non-wind activity disposal plan and its program to sell wind farms and projects.

Consequently as of June 30, 2009, the Group's cash was positive at 81.7 million euros, compared to 90.8 million euros as of December 31, 2008.

- Cash flow from operating activities

The gross self-financing margin was positive at 12.7 million euros as of June 30, 2009.

The change in the requirement for working capital connected with activities was positive at 10.5 million euros. Sales of farms that took place in Germany during the course of the period enabled inventory recorded during the financial year 2008 to be reduced, which had a positive impact on the cash from operating activities.

- Cash flow from investment activities

Cash flows from investment activities are detailed below:

(1) (Net) investments made during the course of the period, i.e. 5.7 million euros, mainly relate to progress in the wind projects in Italy and in France;

(2) Reimbursements of sums granted to companies sold during the course of the period provided a cash injection of 1.6 million euros.

(3) The effects of acquisitions/sales net of cash made over the period had an impact on the Group's cash of 1.3 million euros.

- Cash flow from financing activities

Cash flows from financing activities are detailed below:

- Arrangement of loans with banks for an amount of 31.8 million euros to finance wind plants (9 million euros) and the activities of Natenco Gmbh in Germany (22.4 million euros);
- Repayment of loans set up for wind farms for 46.8 million euros;
- Repayment of credit lines arranged by Natenco Gmbh in Germany for 5 million euros.
- Payment of interest associated with the various loans arranged for 7 million euros.

9.4. STRUCTURE OF THE DEBT

As of December 31, 2009, the consolidated net financial debt amounted to 397.3 million euros (unaudited), compared to 487.6 million euros at June 30, 2009, 498.1 million euros as of December 31, 2008, and 215.3 million euros as of December 31, 2007, and allocated as follows:

(in thousands of euros)	12/31/2009 (unaudited)	06/30/2009	12/31/2008	12/31/2007 (Restated)
Financial debts	(275,000)	(348,548)	(376,686)	(346,261)
Convertible bond	(214,000)	(211,476)	(204,223) (1)	(195,953)
Other financial liabilities	(4,300)	(9,445)	(8,338) (2)	(377)
Current financial assets	not available	137	296	1,127
Cash and cash equivalents	96,000	81,762	90,823	326,197
Net financial debt	**(397,300)**	**(487,570)**	**(498,128)**	**(215,267)**

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

(2) The other financial liabilities mainly correspond to the situation, as of December 31, 2008, of the interest-rate swaps.

The increase in net debt between 2007 and 2008 mainly reflects the deterioration in the cash situation described above. Note 17 of the notes to the consolidated financial statements 2008 provides details of the trend of the Group's financial debt over the period.

As of June 30, 2009, the financial debts, mainly composed of project financing without recourse to the parent company, recorded a fall over the half-year, particularly owing to the repayment of loans (51.7 million euros) exceeding the arrangement of new loans (32.1 million euros).

The net debt fell by 90 million euros between June 30, 2009 and December 31, 2009 (unaudited), mainly owing to the sales of farms made during the period and the repayments made under the amortization schedule of the project related loans.

As of December 31, 2009 and 2008, the financial debts were distributed as follows:

	12/31/2009 (unaudited)	12/31/2008
Project financing without recourse to parent company (see section 9.5.1)	(246,000)	(337,091)
Loan guaranteed by letter of credit	(5,000)	(5,255)
Lines of credit owing to requirement for working capital	(24,000)	(34,340)
Total financial debts	**(275,000)**	**(376,686)**

Note 21 of the notes to the consolidated financial statements provides a schedule of the debt as of December 31, 2008.

9.5. OFF-BALANCE-SHEET COMMITMENTS

9.5.1. Commitments made

THEOLIA, as the holding company, or the subsidiaries in their capacity of parent company in each country, were required to provide different guarantees to allow the indirect subsidiaries to operate. These commitments were as follows:

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

In Germany, THEOLIA stood surety for a maximum amount of 7.5 million euros in favor of Südwestbank and Vorarlberger Hypo Landesbank to guarantee two lines of credit for an amount of 10 million euros each granted by the latter to NATENCO GmbH, a subsidiary of THEOLIA. These lines of credit were intended to finance NATENCO's requirement for working capital.

The commitment made with Vorarlberger Hypo Landesbank has a term of one year and runs from the Board of Directors' meeting held on May 14, 2007.

The commitment made with Südwestbank has a term of one year and runs from the Board of Directors' meeting held on September 14, 2007.

THEOLIA also granted a letter of comfort in favor of Theolia Deutschland's banks for an amount of 2 million euros.

b) Guarantees in favor of turbine suppliers: The Group companies were required to grant guarantees on first demand or joint guarantees to guarantee the debts of subsidiaries to wind turbine manufacturers during the period prior to the introduction of the permanent project financing of wind farms by a financial establishment.

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

c) Guarantees for the financing of wind farms: The Group companies were required to grant guarantees within the scope of the financing of wind farms by financial establishments or for the dismantling of wind turbines. These guarantees comprise pledges on shares of companies holding the wind projects for the period of the long-term loan. The table below shows the pledges on assets described above made by the Group as of December 31, 2009 (unaudited figures):

Country	Entities	Financial fixed assets	Intangible fixed assets	Tangible fixed assets
France	SNC Plateau	797,762		
	CESA	30,000		

Country	Entities	Financial fixed assets	Intangible fixed assets	Tangible fixed assets
	Royal Wind	2,492,000		
	CEFF	61,000		
	CESAM	679,500		
	THEOWATT	40,000		
	CEPLO	183,636		
	CESAL	644,752		
	CEMDF	55,555		
	CORSEOL	1,908,000		
		6,892,205	-	-
Morocco	CED	45,384,577		
Italy	Aerochetto	529,991		
Germany	THEOLIA WP WERBIG GMBH & CO. KG	2,606,368		
	BUSMAN WIND GMBH (LADBERGEN I)	547,783		
	UPEG WINDPARK GMBH (LADBERGEN II)	553,783		
	UPEG WINDPARK GMBH (LADBERGEN III)	554,783		
	SAERBECK	2,558,739		
		6,821,456	-	-
		59,628,228	-	-

In France

Besides the pledges on assets summarized in the table above in favor of the banks, the framework agreements with the banks provide for the joint undertaking of THEOLIA, THEOLIA France and Theowatt to make available to the SSPs, by means of capital contributions and/or shareholder loans, the sums corresponding to the portion agreed with the banks of the costs of construction of the wind farms. Similarly, under the terms of these agreements, THEOLIA, THEOLIA France and Theowatt are jointly required to cover, by means of new capital contributions and/or shareholder loans, any amount exceeding the construction budgets confirmed with the banks.

These commitments concern the following SSPs:

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

Finally, the framework agreements with the banks establish THEOLIA's joint guarantee for the sums payable in respect of the relay credits granted by the banks to the SSPs for the purposes of financing VAT on the construction of the wind farms.

In India

In India, THEOLIA granted a lien on SICAV accounts at Société Générale for an amount of 9.8 million euros in favor of Deutsche Bank. This guarantee aims to cover the possible lack of financing of the project held by the company Theolia Wind Power for an amount of 10 MW. This commitment expired in March 2009.

In Morocco

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

In Germany

In Germany, Natenco GmbH and some of its subsidiaries placed a lien on some of the accounts opened in the books of various banks with a view to guaranteeing any costs arising at the time of dismantling certain farms. The total amount of these liens stood at €5,789,000 as of December 31, 2008.

d) Guarantee on return of price in favor of certain Natenco GmbH customers

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

e) Various commitments

Registered office lease contract

The Company undertook by contract to rent the premises of the registered office for a period of 9 years without the possibility of early cancellation, i.e. up to February 28, 2016.

Guarantee within the scope of the loans arranged by Ecoval 30

Within the scope of Ecoval 30's activities, THEOLIA stood joint surety for an amount of €2,000,000 for the loan contracted on June 27, 2005 by Ecoval 30 with Société Générale falling due on June 14, 2012.

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

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

Project financing

THEOLIA stood joint surety on the following transactions:

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

9.5.2. Commitments received

On January 31, 2008 THEOLIA France concluded a draft agreement under the terms of which Winvest undertook to offer 30 MW of wind projects to THEOLIA by December 31, 2009.

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

9.6. CONTRACTUAL COMMITMENTS

The table below summarizes the Group's main contractual commitments and main maturity as of June 30, 2009:

(in thousands of euros)	< 1 year	1-5 years	> 5 years	TOTAL
	Current	Non-Current		
Long-term debts	45,759	82,112	340,954	468,825
Financial leasing obligations	n.a	n.a	n.a	n.a
Simple lease contract	278	2,758	1,655	4,691
Irrevocable purchase obligation	n.a	n.a	n.a	n.a
Other long-term obligations	n.a	n.a	n.a	n.a
Total	**10,133,219**	**84,870**	**133,533**	**473,516**

	< 1 year	1-5 years	> 5 years	TOTAL
Line of credit	64,512	26,696	340,954	429,753
Letter of credit	n.a	n.a	n.a	n.a
Guarantee	53	-	-	-
Buy-back obligations	n.a	n.a	n.a	n.a
Other commercial commitments	-	36	-	36
Total	**64,565**	**26,696**	**340,954**	**429,789**

10. LIQUIDITY AND CAPITAL RESOURCES

10.1. INFORMATION ABOUT THE GROUP'S CAPITAL

The Group's equity stood at 171.2 million euros as of December 31, 2008, compared to 404.1 million euros as of December 31, 2007 (restated). This decrease is directly attributable to the loss recorded during the financial year 2008.

As of June 30, 2009 the Group's equity stood at 156.5 million euros.

10.2. CASH FLOW

Information is provided in the consolidated financial statements at December 31, 2008 (section 20.1 of this Reference Document) and in the consolidated half-yearly financial statements as of June 30, 2009 (section 20.6.1 of this Reference Document).

10.3. FINANCING

Information is provided in section 9.4 of this reference Document on the structure of the debt and in section 4.3 of this reference Document on liquidity risks.

10.4. RESTRICTIONS ON USAGE OF CAPITAL

In principle, project financing agreements include covenants restricting distributions (payment of dividends and repayment of subordinate debt) to shareholders. In particular, the project company must generally comply with financial ratios such as, mainly, the debt service coverage ratio (DSCR) or the debt to equity ratio (D/E). If these ratios fall below a certain level, the project company is not permitted to make distributions to these shareholders. The cash flows generated over the period are then [re-invested?] in the project company until the ratios regain a level above the minimum.

Within the scope of the project financing agreements, the underlying assets are generally pledged to the lending banks in order to establish guaranties

The project financing techniques also provide for the opening of reserve accounts:

- Debt Service Reserve Account (DSRA) generally representing 6 months of debt service.

- Maintenance Reserve Account (MRA) covering the costs of major wind farm maintenance when they are not included in the maintenance contract with the turbine manufacturer.

Some project financing agreements also include cash-sweep (accelerated debt repayment) clauses allowing surplus cash generated by a successful project to be applied to prepay debt. Finally, this type of financing includes restrictive clauses on partial early repayment of the debt in the event of payment to the borrower of financial indemnity or compensation or total early repayment in the event of default. As of the filing date of this reference Document, no mandatory early payment had been declared in respect of the financing agreements for the whole of the THEOLIA Group.

10.5. EXPECTED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

As of the filing date of this reference Document, the financing required for the development of the Group's projects consisted primarily of project financing arrangements.

These financing arrangements should continue to cover 70%-85% of total investment, the remainder financed by equity. These long-term financing arrangements are matched with the tariff guarantee period and thus generally have a term of 13-15 years. This debt is generally contracted at variable rate, with interest-rate risk hedging via swaps for 75%-100% of the amount outstanding.

The Company also believes that it will need to increase its equity in order to implement its strategy.

11. RESEARCH, DEVELOPMENT AND LICENSES

The Group develops, constructs and produces renewable energies from wind farms. Its technical [experience/expertise?], and the quality of its teams of engineers, financiers and developers enable it to master all stages of the life cycles of a wind farm: development, turnkey construction, financing and operation in the country in which the Group operates and in complex environments in particular. The Group's activity does not involve either research and development activities or the holding of specific patents and licenses.

The company Seres Environnement, which belongs to the Environment branch of the THEOLIA Group, specializes in the design and marketing of water and air quality measuring equipment.

As of December 31, 2008, the research and development expenses incurred by this subsidiary stood at 588,000 euros compared to 390,000 euros as of December 31, 2007. They mainly related to the design of new breathalyzer equipment and equipment for measuring and controlling water and air quality.

These expenses are recorded in the item "assets intended for sale" in the financial statements. All these expenses were written off as of December 31, 2008.

12. INFORMATION ABOUT BUSINESS TRENDS

12.1. DEVELOPMENTS SINCE THE END OF THE FINANCIAL YEAR 2008

- **Change in scope of activities**

- Increase in the interest in Theolia Emerging Markets

THEOLIA SA bought back the shares in Theolia Emerging Markets held by Jean-Marie Santander. This transaction took place at the nominal share value.

The suspending conditions included in the contract signed at the end of 2008 were lifted on January 14, 2009. Since that date, the Group has held 95.24% of the shares in Theolia Emerging Markets, compared to 47.62% before.

- Closure of subsidiaries

In a press release dated January 29, 2009, the Management presented the conclusions of its review of the Group's geographical repositioning.

THEOLIA has chosen to concentrate on three major European markets: Italy, France and Germany.

Bearing in mind their significant growth potential, the Group considers India, Brazil and Morocco to be potential future key markets.

Finally, the Group announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia. The sale and closure of these subsidiaries are in progress.

- **New composition of the Board of Directors**

On January 29, 2009, the Group announced the resignation of Mr. Philippe Perret from his position of director. Mr. Philippe Perret was Executive Vice Chairman Finance of THEOLIA up to October 13, 2008.

On February 13, 2009, the Group announced the resignation of Mr. Arne Lorenzen from his position of director. This resignation was tendered in accordance with the Company's recent decision to no longer to have a salaried manager on its Board of Directors. Mr. Arne Lorenzen, Executive Vice Chairman Operations of THEOLIA, maintained his operating duties.

The Ordinary General Meeting of shareholders of THEOLIA met on Thursday June 11, 2009. In particular, it renewed the term of office as director of Messrs. Louis Ferran, Georgius J.M. Hersbach and Eric Peugeot, as well as that of the company Sofinan Sprl, represented by Mr. Norbert van Leuffel. The General Meeting also appointed Messrs. Willi Balz, Philippe Dominati and Marc van't Noordende as directors.

At the end of that General Meeting, the Board of Directors of THEOLIA had seven members.

On November 9, 2009, the Group announced the resignation of the company Sofinan Sprl, represented by Mr. Norbert van Leuffel, of and Mr. Willi Balz from their positions of director.

Mr. van Leuffel had been a director of THEOLIA since October 13, 2006. He was then Chairman of the Board of Directors of Thenergo, a Belgian company in which THEOLIA had been a major shareholder up to the end of December 2008.

On November 9, 2009, the Group also announced the appointment of Messrs. Leroy and Mattéi for terms of office that will end at the close of the Ordinary General Meeting called to approve the financial statements for the financial year ending December 31, 2011.

Mr. Philippe Leroy became Chairman of the Audit Committee replacing the company Sofinan Sprl, and Mr. Mattéi became a member of the Audit Committee. The Audit Committee of THEOLIA was therefore composed of 3 independent directors, Mr. Leroy, Chairman, and Messrs. Dominati and Mattéi. With the increase in number and skills of its Audit Committee, THEOLIA marked a new stage in the continuous improvement of its governance. After examining the application of the measures recommended with regard to governance, internal control and risk management, the Audit Committee will propose a program of measures to the Board of Directors in order to ensure implementation of the applicable best practices for the Company.

- **Composition of the General Management**

At the beginning of April 2009, the Board of Directors decided to renew the term of office of the Chief Executive Officer of THEOLIA, Mr. Marc van't Noordende, for an indefinite period. Mr. Marc van't Noordende had been acting Chief Executive Officer of THEOLIA since September 29, 2008.

The Board of Directors also appointed Mr. Olivier Dubois, Company officer, as Chief Financial Officer of THEOLIA as from May 1, 2009.

- **Progress in the sale of non-wind assets and interests**

In accordance with the Group's strategy of concentrating on its wind business, at the end of December 2008 THEOLIA sold its entire interest (24.02%) in Thenergo to Hestiun Limited. At the beginning of May 2009, the Group collected the 15 million euros payable in respect of this sale. The depreciation established at the close of 2008 owing to difficulties in recovering the sale price was fully charged to the period. The impact on the result amounted to €15,000,000 and affected the item "Impairment, depreciation and provisions". The counterpart is shown in the item "Other current assets" in the financial statements.

This sale was the first significant measure taken by the Group within the scope of its non-wind asset and interest divestment program.

In April 2009, the Group also sold the Swiss company Biocarb (biofuel manufacture) and, in July 2009, sold its hydraulic project development business in Canada and its two peaking units. Biocarb's shares and debts were sold for a symbolic price of €1.

- **Resumption of wind farm sales to third parties in Germany**

As announced in November 2008, the Group decided to resume its wind farm sales to third parties as from the financial year 2009. Consequently, 35.5 MW were sold during the first quarter 2009 and 3 MW were sold during the second quarter 2009.

- **Progress in the planned sale of around 200 MW of wind projects and assets**

- Sale of a wind farm portfolio of 32 MW in France to Energiequelle

At the end of June 2009, THEOLIA sold 32 MW of wind farm projects in France to Energiequelle.

This portfolio includes the following 3 wind farms, all situated in the north-east of France:

- Baudignecourt (Meuse) representing 12 MW, under construction;
- Charmois (Meuse) representing 12 MW, with permit obtained;
- Chermisey (Vosges) representing 8 MW, with permit obtained.

The building permits are unappealable. The three projects are planned to enter production between now and the end of 2010.

The amount of the transaction was not made public.

- Sale to RheinEnergie of 101 MW portfolio of wind farms and projects in Germany

In August 2009, THEOLIA sold 100.6 MW of operating wind farms and wind farm projects to RheinEnergie AG.

The portfolio includes 19 wind farms in Germany. Of the 100.6 MW sold, around 80 MW are in operation, and it is planned to bring the remainder into operation by the end of the year.

The sale was made by Natenco, the German subsidiary of THEOLIA, which will operate the farms for the remainder of their lifetime.

The amount of the transaction was not made public.

- Sale of a wind project of 9.2 MW in France to Boralex

In October 2009, THEOLIA sold a wind farm project of 9.2 megawatts (MW) to Boralex, a major international player in the field of renewable energy.

The project, situated in the Département of la Somme (France), will be equipped with four Enercon wind turbines with a power of 2.3 MW each. The building permit is unappealable. Commercial operation of the site is planned for the second quarter 2010.

The parties agreed not to make the amount of the transaction public.

- Sale of a wind project of 47 MW in France to Boralex

In December 2009, THEOLIA sold a wind farm portfolio of 47 megawatts (MW) in France to the Canadian company Boralex.

This portfolio was composed of the following:

- a farm that had been operating since December 2006, situated in the departement of Côtes d'Armor with a capacity of 7 MW;
- a project under construction situated in the departement of Seine-Maritime, with a capacity of 30 MW;
- a project under construction situated in the departement of l'Eure-et-Loir, with a capacity of 10 MW.

For these two projects, construction is carried out by THEOLIA France; commissioning is scheduled for mid 2010.

The parties agreed not to make the amount of the transaction public.

- **Investments**

As of December 31, 2009, the Group had invested €69,000,000 (non-audited figure) in projects determining the future growth of the Group in its key markets. These projects represented a total of 1,748 MW net distributed as follows:

France: 1,206 MW;

Italy: 448 MW; and

Germany: 94 MW.

12.2. FUTURE PROSPECTS

During the course of 2009, the new Management team, appointed at the end of September 2008, carried out a full restructuring of the Group, including a thorough revision of its strategy, its geographical positioning and its operations.

The Group chose to concentrate solely on the wind sector, within which it is positioned as a major developer of wind projects, being present throughout the wind value chain. Its current market markets include Italy, France and Germany. Bearing in mind their significant growth potential, the Group has identified India, Brazil and Morocco as potential routes for future growth.

This decision involved the sale or closure of all non-wind subsidiaries or activities. As of the filing date of this reference Document, this divestment is at various stages of maturity and the Group will be focusing on completing this process in 2010.

Positioned on a market in full growth, supported by a long-term tendency towards the strengthening of policies aiming at environmental protection and the promotion of green energy, the Group has a major pipeline of wind projects under development, totaling 2,013 MW distributed over the 5 countries selected, enabling it to support its future ambitions.

Currently penalized by a constrained financial environment, the Group has selected the strategy most suited to its situation and its expertise, in order to create the maximum value for its shareholders. This global strategy combines a new strategy called “Develop, operate and sell” applied in France and in Italy, continuing the traditional trading activities for capacities recently installed in Germany, as indicated in section □ of this reference Document.

THEOLIA aims to be a major independent developer of wind projects with the possibility of growth outside Europe in certain countries with marked potential.

The Group is attaching particular importance to introducing good governance in order to support the Company’s development under the best conditions. The Company has already implemented numerous measures to strengthen its governance and is continuing its efforts to that effect.

THEOLIA’s financial situation, which has clearly improved over the course of the financial year 2009, remains fragile, however. The Group is continuing to optimize its cash management and to reduce its costs. Considerable progress has been made and the year 2009 will incorporate the impact of the optimization efforts undertaken since the end of 2008. The Group is continuing to implement its plan regarding the divestment of non-strategic activities, and its program to sell over 200 MW of wind farms and projects which commenced at the beginning of 2009.

The Group has announced a financial restructuring of its corporate debt (described in section **20.8**), which could enable THEOLIA to increase its current activities and to finance its future growth. Different options include renegotiation of the terms of its convertible bond or access to external capacity by looking for a minority shareholder. They are aimed at increasing the Group’s equity and at giving it the benefit of flexibility in managing its results.

The good development of all these disposal plans, the situation of the financial markets and the possible restructuring of the Company debt are decisive factors for the Group’s future financial situation, business and profitability.

13. PROFIT FORECASTS OR ESTIMATES

The Company does not wish to maintain the forecasts or estimates made in its reference Document 2006, which it believes are out-of-date.

Nor does the Company wish to maintain the forecasts made in July 2009, supplied to the main convertible bondholders within the scope of negotiations and set out in annex 3 to the Company’s press release of December 29, 2009, which it believes are out-of-date.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT

14.1. COMPOSITION AND OPERATION OF THE MANAGEMENT AND CONTROL BODIES

14.1.1. Separation of the duties of Chairman and Chief Executive Officer

Following the resignation of Mr. Jean-Marie Santander from his duties as Chairman, Chief Executive Officer and director of THEOLIA on September 29, 2008, the Board of Directors separated the duties of Chairman and of Chief Executive Officer, thus adopting a corporate governance complying with the best market practice.

14.1.2. Board of Directors

First and last name Address, age	Date of first appointment	Date of expiration of mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Éric PEUGEOT* Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd) Switzerland 54 years	General Meeting of April 14, 2006	General Meeting called to rule on the financial statements closed on December 31, 2011	Chairman of the Board of Directors of THEOLIA since September 29, 2008	Chairman of the Board of Directors of THEOLIA Director of THEOLIA	Chairman and Director of Peugeot Belgique Chairman of Peugeot Nederland NV Chairman and Director of Peugeot Portugal Automoveis Director of Établissements Peugeot Frères, LFPF, IP EST, SKF France and Hestiun Ltd.
Louis FERRAN* Résidence 'Les vignes' 10 chemin de la Laiterie 1173 Féchy - Vaud Switzerland 64 years	General Meeting of April 14, 2006	General Meeting called to rule on the financial statements closed on December 31, 2011	No position	Vice Chairman of the Board of Directors of THEOLIA Director of THEOLIA Chairman of the Nomination and Remuneration Committee	Director and Associate Manager of Rocimmo SA, Alfy SA, Mavirofe SA, Piasdi SA and DBI Helvetia

First and last name Address, age	Date of first appointment	Date of expiration of mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Georgius J.M. HERSBACH* Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht Netherlands 57 years	General Meeting of April 14, 2006	General Meeting called to rule on the financial statements closed on December 31, 2011	No position	Director of THEOLIA Member of the Nomination and Remuneration Committee	Chairman and Chief Executive Officer of Heartstream Group B.V. Chairman and Chief Executive Officer of Heartstream Corporate Finance B.V. Chairman and Chief Executive Officer of Heartstream Capital B.V. Vice Chairman of the Supervisory Board of Global Interface SA Member of the board of directors of NovaRay Medical, Inc.

First and last name Address, age	Date of first appointment	Date of expiration of mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Marc VAN'T NOORDENDE 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France 51 years	General Meeting of June 11, 2009	General Meeting called to rule on the financial statements closed on December 31, 2011	Chief Executive Officer since September 29, 2008	Director of THEOLIA Chief Executive Officer of THEOLIA Chairman of Maestrale Green Energy, Manager of Natenco-Natural Energy Corporation GmbH, of Natenco Holding Director of Theolia Emerging Markets	Chief Executive Officer Operations (COO) and member of the Executive Committee of Essent N.V. Member of the Supervisory Board of SWB A.G. Member of the Supervisory Board of Endex N.V. Member of the Board of Directors of VNO/NCW Chairman of WENB Chairman of CAIW Director of STT
Philippe DOMINATI * Palais du Luxembourg 15 rue Vaugirard, 75291 Paris Cedex 06, France 55 years	General Meeting of June 11, 2009	General Meeting called to rule on the financial statements closed on December 31, 2011	No position	Director of THEOLIA Member of the Audit Committee	Alternate Vice Chairman of the Supervisory Board of Téléperformance, member of the Compensation Committee of Téléperformance, Chairman of the Supervisory Board of SRMS Marketing Services, director of SLE Caisse d'Epargne Ile de France

First and last name Address, age	Date of first appointment	Date of expiration of mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Jean-Pierre MATTEI * 34 avenue Montaigne, 75008 Paris. 59 years	Board Meeting of September 22, 2009	General Meeting called to rule on the financial statements closed on December 31, 2011	No position	Director of THEOLIA Member of the Audit Committee	Director of the Eurotunnel and Floirat groups, of La Gazette du Palais and of Petites Affiches Chairman of Fimopar
Philippe LEROY* 5, avenue Matignon 75008 Paris 51 years	Board Meeting of November 6, 2009	General Meeting called to rule on the financial statements closed on December 31, 2011	No position	Director of Theolia Chairman of the Audit Committee	Chairman and Chief Executive Officer of Détroyat Associés

The appointments of Messrs. Mattei and Leroy must be submitted for ratification by the upcoming ordinary general meeting (article L 225-24 of the Commercial Code).

* independent directors

The table below shows the offices and duties exercised over the last five years by the Company representatives in office during the course of the financial year 2008, but no longer in office on the filing date of this Reference Document.

First and last name Address, age	Date of first appointment	Date of expiration of the mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Andrew MARSDEN GE Capital Limited, 50 Berkley Street, LONDON W1J 8HA 42 years	General Meeting of June 27, 2007	November 27, 2008	No position	Director of THEOLIA up to December 18, 2008	Chief Executive Officer of GE Energy Financial Services Europe
Ramzi NASSAR 120 Long Ridge Road, Stamford, CT 06927, United States 53 years	General Meeting of June 27, 2007	November 27, 2008	No position	Director of THEOLIA up to December 18, 2008	Chief Executive Officer of Global and Water Portfolio Equity of GE Energy Financial Services

First and last name Address, age	Date of first appointment	Date of expiration of the mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Jacques PUTZEYS 11 rue des Géraniums - 98000 Monaco Monaco 58 years	General Meeting of April 14, 2006	December 30, 2008	Chairman of the Nomination and Remuneration Committee up to December 30, 2008	Director of THEOLIA up to December 30, 2008 Director of THEOLIA Ibérica up to October 1, 2008	Director of Conporec Director of H2O Innovation Chairman of the Board of Directors of Thenergo up to March 24, 2009 Non-Executive Director of Thenergo since March 24, 2009
Jean-Marie SANTANDER Traverse de la Sauvageonne - 13400 Aubagne France 57 years	General Meeting of April 14, 2006	September 29, 2008	Chairman Chief Executive Officer up to September 29, 2008	Chairman of the Board of Directors of Ventura SA up to September 29, 2008 Director of THEOLIA Ibérica up to October 1, 2008	Director of AB Fenêtre Chairman of the Board of Directors of Mandarine Group Chairman of Colibri Holding SAS Director of IC Telecom Chairman and Chief Executive Officer of Global Eco Power Vice Chairman and non-executive director of Thenergo up to September 29, 2008
Stéphane GARINO* 28, boulevard de Belgique 98000 Monaco Monaco 36 years	General Meeting of April 14, 2006	May 30, 2009	Chairman of the Audit Committee	Director of THEOLIA	Director of ACTIS SA Monégasque Director of Thenergo Director of GRE Holding

First and last name Address, age	Date of first appointment	Date of expiration of the mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Arne LORENZEN 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France 46 years	General Meeting of April 14, 2006	February 11, 2009	Executive Vice Chairman Operations	Director of THEOLIA up to February 11, 2009 Manager of Theolia Deutschland GmbH Manager of Theolia Deutschland Verwaltungs GmbH Director of VENTURA SA Director of Ecolutions Director of Maestrale Green Energy Manager of Natural Energy Corporation GmbH Manager of Natenco Holding GmbH Director of Compagnie Eolienne du Détroit Director of Theolia Emerging Markets Director of Theolia Maroc Director of Theolia Maroc Services Director of Tangiers Med Wind	No position
Philippe PERRET 51 rue Arnould - Villa 23 13011 Marseille France 46 years	General Meeting of April 14, 2006	January 21, 2009	Executive Vice Chairman Finance up to September 30, 2008	Director of THEOLIA up to January 21, 2009	Director of Mandarine Group Director of Global Eco Power
SPRL Sofinan* Company incorporated under Belgian law Leopoldlei 94 B2930 Brasschaat Belgium Represented by Norbert Van LEUFFEL 65 years	General Meeting of October 13, 2006	October 13, 2009		Director of THEOLIA Member of the Audit Committee	Director of Thenergo whose permanent representative is Mr. Norbert VAN LEUFFEL up to March 24, 2009 Chairman of the Board of Directors of Thenergo whose permanent representative is Mr. Norbert VAN LEUFFEL since March 24, 2009

First and last name Address, age	Date of first appointment	Date of expiration of the mandate	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Willi BALZ Friedrichstr. 16/1 - 72649 Wolfschlugen - Germany 49 years	General Meeting of June 11, 2009	October 17, 2009	No position	No position	Manager of Natenco-Natural Energy Corporation GmbH, Financial Consulting GmbH, FC Holding GmbH, Wetfeet Windenergy Holding GmbH, director of Führländer AG

14.1.3. Chief Executive Officer and Chief Operating Officer

First and last name Address, age	Position held within the Company	Principal mandates and positions held within the Group	Principal mandates and positions held outside of the Company during the past 5 years
Marc VAN'T NOORDENDE 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France 51 years	Chief Executive Officer since September 29, 2008	Chairman of Maestrale Green Energy, Manager of Natenco-Natural Energy Corporation GmbH, of Natenco Holding Director of Theolia Emerging Markets, Theolia Holding and Theolia Naturenergie	Chief Executive Officer of Operations (COO) and member of the Executive Committee of Essent N.V. Member of the Supervisory Board of SWB A.G. Member of the Supervisory Board of Endex N.V. Member of the Board of Directors of VNO/NCW Chairman of WENB Chairman of CAIW Director of STT
Olivier DUBOIS 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France 54 years	Chief Financial Officer since May 1, 2009	Director of Maestrale Green Energy, Manager of Natenco-Natural Energy Corporation GmbH, of Natenco Holding, Director of Theolia Emerging Markets, Theolia Holding and Theolia Naturenergie Chairman of Ecoval 30	Member of the Board (up to April 2003) then Chief Executive Officer and CFO, member of the Executive Committee of Technip. Director, assistant chief executive officer of the Spie group Director and Chairman of the Audit Committee of Meilleurstaux.com

14.1.4. Professional biographies of the directors and chief executive officers in office

Eric Peugeot (director and chairman of the board of Directors) is a marketing specialist. He was merchandising manager Europe for automobiles Peugeot and Sponsoring and Partnerships Director for automobiles Peugeot until 2000. He holds many positions abroad within subsidiaries of the PSA group, including, in particular, that of Chairman and Director of Peugeot in Belgium, Portugal and Netherlands. He is Honorary Chairman of the Football Club Sochaux Montbéliard and director of Établissements Peugeot Frères, LFPF, IP EST, SKF France and Hestiun Ltd.

Philippe Dominati (director) is Vice Chairman of the Supervisory Board of Téléperformance of which he is also a member of the Compensation Committee, Chairman of the Supervisory Board of SRMS Marketing Services and director of SLE Caisse d'Epargne Ile de France.

Georgius J.M. Hersbach (director) is founder and Chairman and Chief Executive Officer of Heartstream Group. Heartstream specializes in financing innovative companies. Mr. Hersbach was previously Chairman and Chief Executive Officer of Pharming Group, where he established partnerships with large companies and raised over 200 million euros.

Louis Ferran (director) has been involved in the management and capital of a large property park in Switzerland since 2004, offering his general management experience acquired within leading companies such as: Merck Sharp & Dohme, L'Oréal, Philip Morris and Timberland. As an independent entrepreneur, he has enriched his experience acquired in private equity, governance and mergers and acquisitions. He is director and associate manager of Rocimmo SA, Alfy SA, Mavirofe SA, Piasdi SA and DBI Helvetia.

Philippe Leroy (director) began his career in 1982 at Bossard Consultants, continued in banking in 1984 in the BGP-SIB group as assistant Chief Executive Officer of Valgos Conseil, a subsidiary specializing in management and cash management advice, then at Manufacturer's Hanover in 1988 as Cash Director, member of the management committee, at Chase Manhattan from 1990 to 1996 as Market Activities Manager in France then as Chief Executive Officer of Chase Manhattan Bank France, and Chairman and chief executive officer of Chase SA, and at HSBC from 1996 to 2002 as Managing Director France of HSBC Markets. He was then corporate finance director of Vivarte from 2002 to 2004. He is now Chairman and chief executive officer of Détroyat Associés, a company specializing in analysis, engineering and financial evaluation.

Jean-Pierre Mattéi (director) has been Chairman of SAS FIMOPAR since 2003, a company providing advice on financial investments. He specializes in judicial and arbitration expertise implemented in various duties, such as manager of companies or commercial court judge, President of the Commercial Court of Paris from 1996 to 2000, Honorary President of the Collège européen de résolution des conflits, and founding member and Chairman of the Association de promotion des modes alternatifs de résolution des conflits. Mr. Mattéi is a director of the Eurotunnel and Floirat groups, of Gazette du Palais and of Petites Affiches. He lectures at HEC and at the Institut d'Etudes Politiques de Paris.

Marc van't Noordende has been a director and Chief Executive Officer of THEOLIA since September 29, 2008. Before joining the THEOLIA Group, he was Chief Operating Officer of Essent, the largest company in the energy sector in the Netherlands, specializing in the production, transportation, marketing and supply of electricity and gas. He joined Essent in 2000, as Chairman of the Energy Division. He became a member of the Executive Committee in 2002 and was Chief Operating Officer from 2005 to 2008. Before Essent, he was Chief Executive Officer of Protein Genetics, based in Wisconsin (USA), from 1997 to 2000. Prior to that, he held various positions within Gemini Consulting and Akzo Nobel.

Olivier Dubois has been Chief Financial Officer, Finance of THEOLIA since May 1, 2009. Before joining THEOLIA, Olivier Dubois was Chief Executive Officer, Finance and Control, and from 2002 to 2008 a member of the Executive Committee of Technip, world leader in engineering and technologies for the oil and gas industry. Before Technip, he held positions in Banque Paris for 11 years (1980 - 1991), in financial management and in the department of industrial affairs, and then he joined the SPIE group, a European leader in electrical engineering services, where he spent 11 years (1991-2002) and of which he was Director and Assistant Chief Executive Officer responsible for finance, management control and strategy.

14.2. CONFLICTS OF INTEREST AFFECTING THE ADMINISTRATIVE BODIES AND EXECUTIVE MANAGEMENT TEAM

To the Company's knowledge, on the filing date of this Reference Document, there are no potential conflicts of interest between the duties in respect of the Company of members of the board of directors, the Chief Executive Officer and the Chief Operating Officer and their private interests and/or other duties.

15. COMPENSATION AND BENEFITS

15.1. COMPENSATION AND BENEFITS IN KIND

15.1.1. Compensation of Company managers and representatives

The tables below are drawn up in accordance with the AFEP and MEDEF recommendations. They give details of the amount of compensation paid and the benefits in kind granted by the Company and its subsidiaries during the course of the financial years ended December 31, 2007 and 2008, to the Chairman and Chief Executive Officer up to September 29, 2008, to the Chairman and to the Chief Executive Officer and to the Delegated Chief Operating Officer since September 29, 2008 and since May 1, 2009, respectively.

Table showing summary of compensation, options and shares allocated to each company manager and representative (in thousands of euros).

Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	2007 financial year	2008 financial year	2009 financial year
Compensation in cash			
Compensation payable in respect of the year	2,028	1,326	-
Other non-cash allocations			
Valuation of options allocated during the course of the year	245	145	-
Valuation of performance shares allocated in respect of the year	1,037	1,869	-
Total	**3,310**	**3,340**	-
Eric Peugeot, Chairman since September 29, 2008	2007 financial year	2008 financial year	2009 financial year
Compensation in cash			
Compensation payable in respect of the year	17	67.5	97
Other non-cash allocations			
Valuation of options allocated during the course of the year	111	94	-
Valuation of performance shares allocated in respect of the year	-	-	-
Total	**128**	**161.5**	**97**
Marc Van't Noordende, Chief Executive Office since September 29, 2008	2007 financial year	2008 financial year	2009 financial year
Compensation in cash			
Compensation payable in respect of the year	N/A	195 (1)	575(2)
Other non-cash allocations			
Valuation of options allocated during the course of the year	N/A	-	-
Valuation of performance shares allocated in respect of the year	N/A	-	2,188
Total	**N/A**	**195**	**2,763**
Olivier Dubois, Chief Financial Officer since May 1, 2009	2007 financial year	2008 financial year	2009 financial year
Compensation in cash			
Compensation payable in respect of the year	N/A	N/A	135
Other non-cash allocations			
Valuation of options allocated during the course of the year	N/A	N/A	-
Valuation of performance shares allocated in respect of the year	N/A	N/A	1,047
Total	**N/A**	**N/A**	**1,182**

(1) Within the scope of a service contract in respect of the interim management. Amount excluding tax.

(2) Of which 275,000 euros in respect of the interim management. Amount excluding tax.

It is recalled that the option valuations (equity warrants) and the performance shares (free shares) allocated during the course of the year do not constitute compensation in kind and have no impact on the Group's cash.

The valuation of the performance shares is determined during the course of the day of allocation, €3.40 for the shares allocated on December 17, 2009 (since the latter are allocated under conditions of performance and attendance, the probability of their allocation being evaluated at 77%, the share value was reduced by the appropriate proportion), €3.12 for the 199,426 shares allocated on June 11, 1009, €18.69 for the 100,000 shares allocated free of charge on January 8, 2008 and €18.45 for the 56,215 shares allocated free of charge on February 6, 2007. It is recalled that the THEOLIA share price stood at €3.04 at closing on December 31, 2008.

The valuation of the equity warrants took place on the date of allocation using the Black-Scholes model or, where appropriate, the Hull-White model, allowing the fair value of the option to be determined.

It is also stipulated that, within the scope of the contract of acting Chief Executive Officer, assigned to Mr. Marc Van't Noordende on September 29, 2008, THEOLIA bears the latter's travel and accommodation expenses and provides a vehicle for him.

15.1.1.1. Table showing summary of compensation of each Company manager and representative (in thousands of euros)

Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	Amounts in respect of the 2007 financial year		Amounts in respect of the 2008 financial year		Amounts in respect of the 2009 financial year	
	Due	Paid	Due	Paid	Due	Paid
Fixed compensation	412	412	717 (1)	717 (1)	N/A	N/A
Variable compensation	1,597	1,597	159	159	N/A	N/A
Exceptional compensation	-	-	450 (2)	450 (2)	N/A	N/A
Attendance fees	8	8	-	-	N/A	N/A
Benefits in kind	11	11	-	-	N/A	N/A
Total	**2,028**	**2,028**	**1,326**	**1,326**	N/A	N/A
Eric Peugeot, Chairman since September 29, 2008	Amounts in respect of the 2007 financial year		Amounts in respect of the 2008 financial year		Amounts in respect of the 2009 financial year	
	Due	Paid	Due	Paid	Due	Paid
Fixed compensation	-	-	-	-		
Variable compensation	-	-	-	-		
Exceptional compensation	-	-	-	-		
Attendance fees	17	17	67.5 (paid in 2009)	0	97	76
Benefits in kind	-	-	-	-		
Total	**17**	**17**	**67.5**	**0**	**97**	**76**
Marc Van't Noordende, Chief Executive Officer since September 29, 2008	Amounts in respect of the 2007 financial year		Amounts in respect of the 2008 financial year		Amounts in respect of the 2009 financial year	
	Due	Paid	Due	Paid	Due	Paid
Fixed compensation(3)	N/A	N/A	195 (3)	195 (3)	275(3)	275(3)
Fixed compensation	N/A	N/A	-	-	297	297

Variable compensation	N/A	N/A	-	-	-	-
Exceptional compensation	N/A	N/A	-	-	-	-
Attendance fees	N/A	N/A	-	-	-	-
Benefits in kind	N/A	N/A	-	-	3	3
Total	**N/A**	**N/A**	**195**	**195**	**575**	**575**
Olivier Dubois, Chief Financial Officer since May 1, 2009	Amounts in respect of the 2007 financial year		Amounts in respect of the 2008 financial year		Amounts in respect of the 2009 financial year	
	Due	Paid	Paid	Paid	Paid	Due
Fixed compensation	N/A	N/A	N/A	N/A	133	133
Variable compensation	N/A	N/A	N/A	N/A	-	-
Exceptional compensation	N/A	N/A	N/A	N/A	-	-
Attendance fees	N/A	N/A	N/A	N/A	-	-
Benefits in kind	N/A	N/A	N/A	N/A	2	2
Total	**N/A**	**N/A**	**N/A**	**N/A**	**135**	**135**

(1) Within the scope of a service contract in respect of the interim management. Amount excluding tax.

(2) The exceptional compensation allocated to Mr. Jean-Marie Santander in 2008 corresponds to the indemnity paid following his departure. It is stipulated that the amount of this indemnity agrees with the AFEP and MEDEF recommendation.

(3) Within the scope of a service contract in respect of the interim management. Amount excluding tax.

It is recalled that Mr. Jean-Marie Santander was employed during the course of the 2007 financial year and held a service contract during the course of the 2008 financial year. The amounts shown in the table below are therefore not comparable between one year and the next.

By way of information, it is stipulated that in 2007 the total wage cost of Mr. Jean-Marie Santander's fixed compensation (sum of the taxable net fixed compensation and associated employer's expenses) amounted to 542,000 euros. The variable compensation paid to Jean-Marie Santander over the 2007 and 2008 financial years was mainly based on the trend in the Company's stock market capitalization.

15.1.1.2. Attendance fees allocated to each company manager and representative (in thousands of euros)

	Attendance fees allocated in respect of the 2007 financial year	Attendance fees allocated in respect of the 2008 financial year	Attendance fees allocated in respect of the 2009 financial year
Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	8	-	-
Eric Peugeot, Chairman since September 29, 2008	17	67.5	97
Marc Van't Noordende, Chief Executive Officer since September 29, 2008	-	-	-
Olivier Dubois, Chief Financial Officer since May	-	-	-

	Attendance fees allocated in respect of the 2007 financial year	Attendance fees allocated in respect of the 2008 financial year	Attendance fees allocated in respect of the 2009 financial year
1, 2009			
Total	**25**	**67.5**	**97**

Since the change of management that took place on September 29, 2008, the Company has introduced a fixed compensation system for directors, based solely on attendance fees.

15.1.1.3. Share subscription or purchase options allocated during the financial year 2008 to each company manager and representative

	Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	**Eric Peugeot**, Chairman since September 29, 2008	**Marc Van't Noordende**, Chief Executive Officer since September 29, 2008	**Olivier Dubois**, Chief Financial Officer since May 1, 2009
Plan number and date	BSA PC 880 M 2008 06/28/2008	BSA EP 2008 05/06/2008	-	N/A
Nature of options	Equity warrants	Equity warrants	-	N/A
Number of options allocated during the year	37,093	29,093	-	N/A
Strike price	15.64	12.95	-	N/A
Exercise period	4 years	5 years	-	N/A

Parity is 1 equity warrant for 1 THEOLIA share.

15.1.1.4. Share subscription or purchase options exercised during the financial year 2008 by each company manager and representative

	Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	**Eric Peugeot**, Chairman since September 29, 2008	**Marc Van't Noordende**, Chief Executive Officer since September 29, 2008	**Olivier Dubois**, Chief Financial Officer since May 1, 2009
Plan number and date	BSA 2003-5 19/12/2003	-	-	N/A
Number of options exercised during the year	84,000	-	-	N/A
Strike price	2.06	-	-	N/A
Year of allocation	2003	-	-	N/A

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

15.1.1.5. Share subscription or purchase options allocated during the financial year 2009 to each company manager and representative

The Company did not allocate any share subscription or purchase options during the financial year 2009.

15.1.1.6. Sare subscription or purchase options exercised during the financial year 2009 by each company manager and representative

No share subscription or purchase option was exercised during the financial year 2009 by the Company managers and representatives.

15.1.1.7. Performance shares allocated during the financial year 2008 to each Company manager and representative

	Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	**Eric Peugeot**, Chairman since September 29, 2008	**Marc Van't Noordende,** Chief Executive Officer since September 29, 2008	**Olivier Dubois,** Chief Financial Officer since May 1, 2009
Plan date	01/08/2008	-	-	N/A
Number of free shares allocated during the year	100,000	-	-	N/A
Valuation of shares according to the method adopted for the consolidated account (in thousands of euros)	1,869	-	-	N/A
Acquisition date	01/08/2010	-	-	N/A
Date of availability	01/08/2012	-	--	N/A
Conditions of performance	None	-	-	N/A

15.1.1.8. Performance shares allocated during the financial year 2009 to each company manager and representative

	Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	**Eric Peugeot**, Chairman since September 29, 2008	**Marc Van't Noordende,** Chief Executive Officer since September 29, 2008	**Olivier Dubois**, Chief Financial Officer since May 1, 2009
Plan date	N/A	-	2009-2011	2009-2011
Date(s) of allocation	N/A	-	06/11/2009 and 12/17/2009	12/17/2009
Number of free	N/A	-	797,704	400,000

	Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008	**Eric Peugeot,** Chairman since September 29, 2008	**Marc Van't Noordende,** Chief Executive Officer since September 29, 2008	**Olivier Dubois,** Chief Financial Officer since May 1, 2009
shares allocated during the year			*(of which:* *199,426 shares allocated on 06/11/2009* *598,278 shares allocated on 12/17/2009)*	
Valuation of shares according to the method adopted for the consolidated account (in thousands of euros)	N/A	-	*2,188* *(of which:* *622 for the shares allocated on 06/11/2009* *1,566 for the shares allocated on 12/17/2009)*	1,047
Acquisition date	N/A	-	06/11/2011 and 12/17/2011	12/17/2011
Date of availability	N/A	-	06/11/2013 and 12/17/2013	12/17/2013
Conditions of performance	N/A	-	Yes except for the shares allocated on 06/11/2009 (*cf.* below)	Yes (*cf.* below)

On December 17, 2009, within the scope of the 2009-2011 free share allocation plan, the Board of Directors allocated 998,278 free shares to Mr. Marc Van't Noordende (598,278 shares) and Mr. Olivier Dubois (400,000 shares) subject to conditions of attendance and performance.

These free shares were allocated to Mr. Marc Van't Noordende and Mr. Olivier Dubois in respect of the three financial years 2009 to 2011 subject to attendance and attaining several performance criteria connected with the achievement of financial targets, particularly in terms of net profit and gross operating surplus (Ebitda) during the course of the year in question. These conditions are considered to have been automatically and integrally fulfilled in the event of implementation of an operation (i) that has the result of bringing about a change in control in the sense of Article L.233-3 of the Commercial Code, and (ii) that did not receive a favorable opinion on the part of the Board of Directors of THEOLIA.

Implementing the agreements connected with the renewal of his term of office as Chief Executive Officer at the end of the transition period, on June 11, 2009 the Board of Directors allocated 199,426 free shares to Marc Van't Noordende, without any special conditions of performance or attendance.

The company representatives committed themselves to keep 20% of the free shares effectively acquired during the period of their mandate.

These free shares also benefit from a contractual mechanism providing protection against any transaction on the Company capital actually conducted prior to April 1, 2011. Consequently, if the amount of the share capital is actually (and not just potentially) changed between June 1, 2009 and April 1, 2011, the managers will have to be allocated a number of additional free shares by the board of directors in order to maintain their participation in the Company's capital, amounting to 2% of the capital for Marc Van't Noordende and to 1% of the capital for Olivier Dubois on the date of allocation of the aforesaid shares (prior to application of the conditions of attendance and performance). The free shares to be allocated under this adjustment mechanism will be assigned pro rata to each of the reference years of the free shares already allocated (2009, 2010 and 2011 as appropriate), and therefore subject to the same conditions of attendance and performance. It is stipulated that the dilution calculations made in section 20.8 take this adjustment mechanism into account. The commitment to keep shares given by the two managers applies to the shares allocated as part of this contractual mechanism to protect against dilution.

15.1.1.9. Performance shares definitively acquired during the financial years 2008 and 2009 by each Company executive director

No performance shares were definitively acquired during the fiancial year 2008 for the Company executive directors. However, the performance shares allocated on February 6, 2007 to the Company executive directors, i.e. 56,215 shares, were definitively acquired during the financial year 2009.

15.1.1.10. Performance shares becoming available during the financial years 2008 and 2009 for each Company executive director

No performance shares became available during the financial year 2008 or 2009 for the Company executive directors.

15.1.1.11. Further information

	Employment contract in 2008		Supplementary pension system		Indemnities or benefits due or likely to fall due owing to termination or change of duties		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marie Santander, Chairman and Chief Executive Officer up to September 29, 2008		X		X		X	X(1)	
Eric Peugeot, Chairman since September 29, 2008		X		X		X		X
Marc Van't Noordende, Chief Executive Officer since September 29, 2008		X		X		X	X(2)	
Olivier Dubois, Chief Financial Officer since May 1, 2009		X		X		X	X(2)	

The Group has not made any commitment in favor of its directors relating to indemnities or benefits due or likely to fall due on account of termination or change of duties or subsequent thereto.

(1) The indemnity in respect of the non-compete clause for a period of 3 years paid to Jean- Marie Santander amounted to a total of €450,000 which was paid during the course of the financial year 2008. This indemnity also remunerates a non-solicitation undertaking. This indemnity corresponds to the exceptional compensation shown in the table in section 15.1.1.1.

(2) The indemnities payable in respect of the non-compete clauses for a period of 18 months concluded by the Company with each of its current executive directors, Mr. Marc Van't 'Noordende and Mr. Olivier Dubois, amount to 18 months' gross fixed compensation for each one respectively (including the impatriation bonus for Marc Van't Noordende). The contracts concluded with these directors also provide that the Company may extend the duration of the non-compete obligation for an additional six-month period and, in such event, will have to pay the director concerned an additional non-compete indemnity for an amount equal to six months' gross fixed compensation (including the impatriation bonus for Marc Van't Noordende).

15.1.2. Compensation of the Company's non-executive directors

15.1.2.1. Compensation, benefits in kind and attendance fees allocated to each non-executive Company director during the course of the financial years 2007 and 2008

(in thousands of euros)	Paid in respect of the financial year	Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	**Total**
Louis Ferran	2007	-	-	-	-	16	**16**

(in thousands of euros)	Paid in respect of the financial year	Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	**Total**
	2008	-	-	-	-	42	**42**
Stéphane Garino	2007	-	-	-	-	20	**20**
	2008	-	-	-	-	42	**42**
Georgius J.M. Hersbach	2007	-	-	-	-	22	**22**
	2008	-	-	-	-	27	**27**
Arne Lorenzen	2007	132	50	-	5	-	**187**
	2008	197	-	-	5	-	**202**
Andrew Marsden	2007	-	-	-	-	-	**-**
	2008	-	-	-	-	-	**-**
Ramzi Nassar	2007	-	-	-	-	-	**-**
	2008	-	-	-	-	-	**-**
Philippe Perret (1)	2007	123	89	-	4	-	**216**
	2008	125	-	-	5	-	**130**
Jacques Putzeys	2007	138 (2)	-	-	-	15	**153**
	2008	46 (2)	-	-	-	30	**76**
Sofinan Sprl (represented by Norbert Van Leuffel)	2007	-	-	-	-	20	**20**
	2008	-	-	-	-	30	**30**

(1) Philippe Perret resigned from his duties on September 30, 2008.

(2) Within the scope of a service contract terminating on April 30, 2008. Amounts excluding tax.

It is stipulated that the salaried Company directors (Arne Lorenzen and Philippe Perret) did not receive attendance fees.

They did not receive any bonus in 2008.

For the record, the bonuses they received in 2007 had been determined:

- Based on the development of the Group's portfolio for Mr. Lorenzen;
- Based on the trend of the stock market price for Mr Perret.

15.1.2.2. Compensation, benefits in kind and attendance fees allocated to each non-executive Company director during the course of the financial year 2009

(in thousands of euros)	Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	**Total**
Louis Ferran	-	-	-	-	42	**42**
Stéphane Garino	-	-	-	-	15	**15**

Georgius J.M. Hersbach	-	-	-	-	39	**39**
Arne Lorenzen	197				-	**197**
Philippe Perret	-	-	-	-	-	**-**
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-	34	**34**
Philippe Dominati	-	-	-	-	21	**21**
Jean-Pierre Mattéi	-	-	-	-	10	**10**
Willi Balz	-	-	-	-	0	**0**
Philippe Leroy	-	-	-	-	8	**8**

15.1.2.3. Equity warrants allocated to the non-executive Company directors during the financial year 2008

	Plan number and date	Number of warrants allocated during the year	Strike price	Maturity date
Louis Ferran	BSA LF 08 06/05/2008	29,093 (1)	12.95	5 years
Stéphane Garino	BSA SG 08 06/05/2008	31,451 (1)	12.95	5 years
Georgius J.M. Hersbach	-	-	-	-
Arne Lorenzen	-	-	-	-
Andrew Marsden	-	-	-	-
Ramzi Nassar	-	-	-	-
Philippe Perret	-	-	-	-
Jacques Putzeys	-	-	-	-
Sofinan Sprl (represented by Norbert Van Leuffel)	BSA SO 08 06/05/2008	29,093 (1)	12.95	5 years

(1) Parity is 1 equity warrant for 1 THEOLIA share.

15.1.2.4. Equity warrants exercised by the non-executive Company directors during the financial year 2008

	Plan number and date	Number of warrants allocated during the year	Strike price	Year of allocation
Louis Ferran	-	-	-	-

Stéphane Garino	-	-	-	-
Georgius J.M. Hersbach	BSA CS3 28/01/2005	50,000 (1)	4.85	2005
Arne Lorenzen	-	-	-	-
Andrew Marsden	-	-	-	-
Ramzi Nassar	-	-	-	-
Philippe Perret	-	-	-	-
Jacques Putzeys	BSA CS3 28/01/2005	50,000 (2)	4.85	2005
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-

(1) The exercise of these 50,000 equity warrants gave rise to the creation of 59,350 new Company shares (parity of 1.187 share per equity warrant).

(2) The exercise of these 50,000 equity warrants gave rise to the creation of 59,350 new Company shares (parity of 1.187 share per equity warrant).

15.1.2.5. Equity warrants allocated to the non-executive Company directors during the financial year 2009

There was no allocation of equity warrants to non-executive Company directors during the financial year 2009.

15.1.2.6. Equity warrants exercised by the non-executive Company directors during the financial year 2009

No equity warrants were exercised by the non-executive Company directors during the course of the financial year 2009.

15.1.2.7. Free shares allocated to the non-executive Company directors during the financial year 2008

	Plan date	Number of free shares allocated during the year	Valuation of shares according to the method adopted for the consolidated accounts (in thousands of euros)	Acquisition date	Date of availability
Louis Ferran	-	-	-	-	-
Stéphane Garino	-	-	-	-	-
Georgius J.M. Hersbach	-	-	-	-	-
Arne Lorenzen	30/01/2008	50 000	831	30/01/2010	30/01/2012
Andrew Marsden	-	-	-	-	-
Ramzi Nassar	-	-	-	-	-

	Plan date	Number of free shares allocated during the year	Valuation of shares according to the method adopted for the consolidated accounts (in thousands of euros)	Acquisition date	Date of availability
Philippe Perret	30/01/2008	50 000	831	30/01/2010	30/01/2012
Jacques Putzeys	-	-	-	-	-
Sofinan Sprl (represented by Norbert Van Leuffel)	-	-	-	-	-

15.1.2.8. Free shares becoming available to the non-executive Company directors during the financial year 2008

There was no allocation of free shares to non-executive Company directors becoming available during the financial year 2008.

15.1.2.9. Free shares allocated to the non-executive Company directors during the financial year 2009

There was no allocation of free shares to non-executive Company directors during the financial year 2009.

15.1.3. Participation of Company directors in the capital as of December 31, 2009

	Number of shares	% of capital	% of voting rights
Eric Peugeot	10	NS	NS
Philippe Dominati	100	NS	NS
Georgius J.M. Hersbach	38,553	0.1%	0.09%
Louis Ferran	150	NS	NS
Philippe Leroy	-	-	-
Jean-Pierre Mattéi	10	NS	NS
Marc Van't Noordende	1 000	NS	NS
Olivier Dubois	-	-	-

15.1.4. History of allocations of share subscription or purchase options

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	G. Hersbach	G. Hersbach	Heartstream	Darts	E. Peugeot
Subscription price in €	0.000485	0.000485	0.00039	0.0001	0.0001
Strike price in €	4.85	4.85	3.90	15.28	15.28
Duration	5 years as from subscription		May 02, 2010	May 17, 2012	May 24, 2012
Party	1.187	1.187	1.187	1	1

Balance as of December 31, 2008	50,000	50,000	300,000	7,000	29,093
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	50,000	50,000	300,000	7,000	29,093

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Holder	JM Santander	L. Ferran	S. Garino	Sofinan Sprl	E. Peugeot
Subscription price in €	0.0001	0.0001	0.0001	0.0001	0.0001
Strike price in €	15.28	15.28	15.28	15.28	15.28
Duration	June 11, 2012	May 19, 2012	May 16, 2012	May 19, 2012	Jan. 1, 2013
Party	1	1	1	1	1
Balance as of December 31, 2008	64,000	29,093	31,451	7, 000	29,093
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	64,000	29,093	31,451	7,000	29,093

	BSA LF07	BSA SO07	BSA SG07	BSA GF	BSA JMS PC 800M
Holder	L. Ferran	Sofinan Sprl	S. Garino	G. Fairbank	JM Santander
Subscription price in €	0.0001	0.0001	0.0001	0.0001	0.0001
Strike price in €	15.28	15.28	15.28	15.28	12.17
Duration	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013	June 28, 2009	Dec. 31, 2012
Party	1	1	1	1	1
Balance as of December 31, 2008	29,093	29,093	31,451	18,000	80,460
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	29 ,93	29,093	31,451	18,000	80,460

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	Gama Enerji	Gama Enerji	E. Peugeot	L. Ferran	S. Garino
Subscription price in €	0.0010	0.0010	0.0001	0.0001	0.0001
Strike price in €	16.50	17.50	12.95	12.95	12.95
Duration	Jan. 3, 2011	Jan. 2, 2012	July 2, 2013	July 2, 2013	July 2, 2013
Party	1	1	1	1	1

Balance as of December 31, 2008	1,500,000	1,500,000	29,093	29,093	31,451
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	1,500,000	1,500,000	29,093	29,093	31,451

	BSA SO 08	BSA PC 880 M 2008
Holder	Sofinan Sprl	JM Santander
Subscription price in €	0.0001	0.0001
Strike price in €	12.95	15.64
Duration	July 2, 2013	Dec. 13, 2012
Party	1	1
Balance as of December 31, 2008	29,093	37,093
Allocated during the year	-	-
Exercised during the year	-	-
Expired or not exercisable during the year	-	-
Balance	29,093	37,093

Consequently, the total number of equity warrants in circulation amounts to 3,922,650 and the total number of new shares that may be created by exercising these equity warrants is 3,997,450

15.1.5. Share subscription or purchase options granted and exercised by the Company's first ten non-director employees

Within the scope of the plan for the free allocation of shares over 2009-2011, in respect of the financial years 2009, 2010 and 2011, on December 17, 2009 the Board of Directors allocated 390,000 free shares to the Group's first employees subject to attendance and performance connected with the achievement of financial targets. At the end of each year, the employees concerned may be allocated up to one-third of the total amount, subject to satisfaction of the conditions of attendance and performance. The shares allocated will be definitively acquired on December 17, 2011 and available on December 17, 2013 (subject to satisfaction of the conditions of attendance and performance). These conditions are considered to be automatically and integrally fulfilled in the event of implementation of an operation that (i) has the result of bringing about a change in control in the sense of Article L. 233-3 of the Commercial Code and (ii) that did not receive a favorable opinion on the part of the Board of Directors of THEOLIA.

On December 17, 2009, the Board of Directors also allocated 25,000 shares free of charge, without any conditions of attendance or performance. The 25,000 shares allocated will be definitively acquired on December 17, 2011 and available on December 17, 2013

15.2. SUMS SET ASIDE BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PURPOSES OF PAYMENT OF ALLOWANCES, PENSIONS OR OTHER BENEFITS IN FAVOR OF DIRECTORS

No Company directors benefit from a specific pension scheme.

16. OPERATING PROCEDURES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1. APPOINTMENTS HELD BY MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

Detailed information concerning the terms of office of the Company's senior executives is disclosed in Chapter 14.1 of this Reference Document.

16.2. INFORMATION ABOUT SERVICE AGREEMENTS LINKING MEMBERS OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

To the best of the Company's knowledge, as of December 31, 2008, there are no service agreements in place linking the members of the Board of Directors, the Chief Executive Officer or the Chief Financial Officer of the Company or any of its subsidiaries providing for the grant of any benefits, with the exception of a 6-month service provision contract which was signed on September 29, 2008 with the company Longview Management Services BV as part of the transitional period of management by Marc Van't Noordende which came to an end on March 29, 2009.

16.3. BOARD LEVEL COMMITTEES

Over the course of the 2008 financial year, the Board of Directors has tasked two specialized Committees with preparing its deliberations: the Audit Committee and the Nominations and Remunerations Committee.

The purposes of these Committees are outlined in the report by the Chairman of the Board of Directors on internal control, which is appended to the present Reference Document.

16.4. CORPORATE GOVERNANCE

16.4.1. AFEP-MEDEF code recommendations

In a statement published on December 29, 2008, THEOLIA pointed out that, at its meeting held on December 18, 2008, the Company's Board of Directors had examined the AFEP and MEDEF recommendations of October 6, 2008 regarding the compensation of management officers of listed companies.

The THEOLIA Board of Directors believes that these recommendations are fully in tune with the Company's corporate governance approach, especially as many of these recommendations are already being applied within the Group.

THEOLIA refers to the recommendations of the AFEP and MEDEF corporate governance code on a voluntary basis and applies them, with the exception of the recommendation concerning the definition of performance conditions when allocating free shares for only a portion of the free shares allocated to the Chief Executive Officer; in this regard, at the end of the transitional management period following the departure of former director Jean Marie Santander, Marc Van't Noordende agreed to be appointed as the permanent Chief Executive Officer and then received, as a welcome package, 199,426 free shares with no performance condition, but which carried presence conditions at a time when the Company needed to attract and retain quality and experienced management. All other allocations of free shares to directors are subject to presence and performance conditions pursuant to the provisions of the AFEP MEDEF code. Moreover, officers must retain 20% of the free shares that have been allocated to them for the duration of their term of office.

None of the officers or directors have benefited from an employment contract linking them to the Company and none of them benefit from a specific retirement plan.

16.4.2. Board of Directors internal regulations

The internal regulations of the Board of Directors, which were adopted by the Board of Directors at the meeting held on April 14, 2006 and which were amended at the meeting of February 6, 2007 and December 18, 2008, aim to ensure transparency in the operating procedures of the Board of Directors. The main provisions of these regulations are summarized in paragraph 21.2.2.4 of the present Reference Document.

16.4.3. Control and evaluation of the role of the Board of Directors

Pursuant to the provisions of Article 5.5 of the Internal Regulations, the Board must carry out, at regular intervals of no more than two years, an assessment of its operating procedures, which is to be conducted by a director or an independent expert. An independent expert was appointed for this purpose by the Board on March 30, 2009 and submitted his report to the Board on August 28, 2009.

16.4.4. Internal control report

16.4.4.1. 2008 Report by the Chairman of the Board of Directors on internal control and risk management

In accordance with Article 117 of the Financial Security Law of August 1, 2003 and the provisions of Article L 225-37 of the Commercial Code, THEOLIA has produced a report on internal control.

The purpose of this report is to record the conditions for the preparation and organization of the work of the Board of Directors as well as the internal control procedures that have been implemented over the past financial year.

Under the supervision of the Chairman, and following validation by the members of the Board of Directors, the due diligence in drawing up this report essentially rests on the completion of work coordinated by the General Secretary in liaison with the Finance Department and the main functional and operational management bodies. This report is also based on any exchanges which take place with the Audit Committee.

1. The conditions for preparing and organizing the work of the Board

In order to fulfill its legal mission of constantly monitoring the management of our company, the Board of Directors draws upon the recommendations of the AMF[4], as well as the joint report by the Association Française des Entreprises Privées (French Association of Private Enterprises) and MEDEF of September 2002 and January 2007. The Company therefore complies with the recommendations in terms of corporate governance which apply in France. Further, the Company complies with the latest AFEP MEDEF recommendations of October 06, 2008.

1.1. Composition of the Board of Directors

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

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

On September 30, 2008, the Board of Directors separated the roles of Chairman and Chief Executive Officer. Mr. Marc van't Noordende was appointed Chief Executive Officer on this date. He is not a director of the Company.

The internal regulations stipulate that each member of the Board must hold at least one share in the Company.

As of January 1, 2008, the Board of Directors comprised 11 members.

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

Mr. Andrew Marsden and Mr. Ramzi Nassar, who represented GE Energy Financial Services on the Board, resigned from their roles as directors following the transfer of THEOLIA GE Energy Financial Services shares to GAMA Enerji on December 19, 2008, and Mr. Jacques Putzeys, the Chairman of Thenergo, resigned from his role as director following the sale by THEOLIA of its entire shareholding in Thenergo in December 2008.

On the date this Report was published, Mr. Philippe Perret had resigned from his role as director on January 21, 2009 and Mr. Arne Lorenzen had resigned on February 11, 2009. They have not been replaced.

[4] AMF Report 2005 on corporate governance and internal control of January 18, 2006 and the internal control system: reference framework of January 22, 2007.

Name, surname address, age	Date of first appointment	Date of expiry of appoint-ment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
Louis FERRAN* Résidence 'Les vignes' 10 chemin de la Laiterie 1173 Féchy - Vaud Switzerland Age 63	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008		THEOLIA Director Biocarb SA Director	Director and Associate Director of Rocimmo SA, Alfy SA, Mavirofe SA, Piasdi SA, DBI Helvetia, Chairman/Director Granit SA
Stéphane GARINO* 28, boulevard de Belgique 98000 Monaco Monaco Age 36	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008	Chairman of the Audit Committee	THEOLIA Director	Director of ACTIS SA Monégasque Director of Thenergo Director of GRE Holding
Georgius J.M. HERSBACH* Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht Netherlands Age 56	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008		THEOLIA Director	Chief Executive Officer of Heartstream Group B.V. Chief Executive Officer of Heartstream Corporate Finance B.V. Chief Executive Officer of Heartstream Capital B.V. Vice-Chairman of the supervisory board at Global Interface SA Member of the Board of Directors of NovaRay Medical, Inc. Member of the EU Enterprise Policy Group - Professional Chamber

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
Arne LORENZEN 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France Age 46	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008	Vice-Chairman Executive Operations	THEOLIA Director until February 11, 2009 Manager of Theolia Deutschland GmbH Manager of Theolia Deutschland Verwaltungs GmbH Director of VENTURA SA Director of Ecolutions Director of Maestrale Green Energy Manager of Natural Energy Corporation GmbH Manager of Natenco Holding GmbH Director of the Compagnie Eolienne du Détroit Director of Theolia Emerging Markets Director Theolia Maroc Director of Theolia Maroc Services Director of Tangier Med Wind	
Philippe PERRET 51 rue Arnould - Villa 23 13011 Marseille France Age 46	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008	Deputy Chairman-executive Finance until September 30, 2008	Director of THEOLIA until January 21, 2009	Director of Mandarine Group Director of Global Eco Power
Éric PEUGEOT* Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd) Switzerland Age 53	General Meeting of April 14, 2006	General Meeting to rule on the financial statements ending December 31, 2008	Chairman of the THEOLIA Board of Directors since September 29, 2008	Director of THEOLIA	Chairman Director of Peugeot Belgium Chairman of Peugeot Nederland NV Chairman Director of Peugeot Portugal Automoveis Director of Établissements Peugeot Frères Director of LFPF Director of IP EST Director of SKF Director of Hestiun

Name, surname address, age	Date of first appointment	Date of expiry of appoint-ment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
SPRL Sofinan* Company under Belgian law Leopoldlei 94 B2930 Brasschaat Belgium Represented by **Norbert Van LEUFFEL** Age 65	General Meeting of October 13, 2006	October 13, 2009		Director of THEOLIA whose permanent representative is Mr. Norbert VAN LEUFFEL	Director of Thenergo whose permanent representative is Mr. Norbert VAN LEUFFEL until March 24, 2009 Chairman of the Thenergo Board of Directors whose permanent representative is Mr. Norbert VAN LEUFFEL since March 24, 2009
Marc VAN'T NOOR-DENDE 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3 France Age 50			Chief Executive Officer since Sep-tember 29, 2008		Chief Operations Officer (COO) and member of the Executive Committee of Essent N.V. Member of the supervisory board of SWB A.G. Member of the supervisory board of Endex N.V. Member of the VNO/NCW board of directors Chairman of WENB Chairman of CAIW Director of STT

* non-executive directors.

At year end, of the 7 members of the Board of Directors, 5 are non-executive with regard to the criteria of the "AFEP/MEDEF code of corporate governance".

They are not employees of THEOLIA, nor are they employees or officers or of a company that it consolidates, nor have they been over the course of the last five years. They are not clients, suppliers or significant bankers of the company or the Group, nor are they officers of a company of which THEOLIA is a director or of which an employee or officer is a director.

Moreover, these independent members have no family links with any other officer, nor have they been legal auditors within the Group and they have not occupied the roles of member of the THEOLIA Board for more than twelve years, it being speci-fied that, pursuant to the Corporate Governance Code, the loss of independent member status only takes place upon expiry of the term of office during which the duration of twelve years was exceeded.

The status of non-executive director must be debated by the Nominations and Remunerations Committee; it should also be reviewed each year by the Board of Directors before the annual report is published.

The table below shows the terms of office and roles occupied over the course of the last five years by the Company officers who have been company officers over the course of the 2008 financial year, but who were no longer company officers as of December 31, 2008.

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
Andrew MARSDEN GE Capital Limited, 50 Berkley Street, LONDON W1J 8HA Age 42	GM of June 27, 2007	GM called to rule on the financial statements ended December 31, 2009		Director of THEOLIA until December 18, 2008	Chief Executive Officer of GE Energy Financial Services Europe
Ramzi NASSAR 120, Long Ridge Road, CT06927 Stamford, United States Age 53	GM of June 27, 2007	GM called to rule on the financial statements ended December 31, 2009		Director of THEOLIA until December 18, 2008	Chief Executive Officer of Global and Water Portfolio Equity of GE Energy Financial Services
Jacques PUTZEYS 11 rue des Géraniums - 98000 Monaco Monaco Age 58	GM of April 14, 2006	GM called to rule on the financial statements ended December 31, 2008	Chairman of the nominations and remunerations committee until December 30, 2008	Director of THEOLIA until December 30, 2008 Director of THEOLIA Ibérica until October 1, 2008	Director of Conporec Director of H_2O Innovation Chairman of theThenergo Board of Directors until March 24, 2009 Non-executive Director of Thenergo since March 24, 2009 Director Granit SA
Jean-Marie SANTANDER Traverse de la Sauvageonne - 13400 Aubagne France Age 57	GM of April 14, 2006	GM called to rule on the financial statements ended December 31, 2008	Chairman Chief Executive Officer until September 29, 2008	Chairman of the Ventura SA board of directors until September 29, 2008 Director of THEOLIA Ibérica until October 1, 2008	Director of AB Fenêtre Chairman of the board of directors of Mandarine Group Chairman of Colibri Holding SAS Director of IC Telecom Chairman-Chief Executive Officer of Global Eco Power Vice-Chairman and non-executive director of Thenergo until September 29, 2008

As far as the persons that have left the Company's Board of Directors are concerned, the information above is based on the data published for the 2007 financial year and the information known to the Company.

The Nominations and Remunerations Committee monitors the terms of office and the roles occupied by the directors every year.

All terms of office last for 3 years.

1.2. Internal Regulations

The Board of Directors has Internal Regulations which regulate the following, inter alia:

- the organization of Board meetings;
- a directors' charter;
- the introduction of an Audit Committee and a Nominations and Remunerations Committee.

They were amended at the meeting of the Board of Directors held on July 02, 2008 and a new Article 5 was added, in accordance with the agreement concluded on February 13, 2007 between THEOLIA and the companies EFS-B Inc. and General Electric Finance Holding GmbH. On December 18, 2008, following the transfer of shares of the General Partnership GE France to the Turkish group Gama Enerji, this Article 5 was removed.

Moreover, at the meeting of the Board of Directors held on November 11, 2008, a delegation of authority covering the delegations of the Chief Executive Officer and the directors of overseas subsidiaries was implemented and now appears as a note to the Internal Regulations of the Board of Directors.

The Internal Regulations appear in their entirety as a Note to the Management Report.

1.3. Mode of operation of meetings of the Board of Directors

The roles of Chairman and Chief Executive Officer were separated on September 29, 2008.

Generally, Directors receive the information approximately one week prior to the date of the meeting; this gives them the opportunity to prepare the matters that will be dealt with at the meeting. Matters which are particularly sensitive and urgent may be discussed without any prior distribution of the documents.

To facilitate participation, the Directors may attend meetings either in person, by telephone conference or by video conference. As provided for by law, only the Directors attending in person or via video conference can be taken into account when establishing a quorum.

It was not deemed appropriate in 2008 to proceed to an assessment of the individual effective contribution of each member to the work of the Board of Directors.

As of 2009, and in an effort to improve the governance desired by the management, once a year, the Board of Directors must allocate one item on its agenda to a discussion about its operating procedures.

1.4. Specialized committees

The THEOLIA Board of Directors has, in its Internal Regulations, implemented 2 specialized committees:

1.4.1 The Audit Committee:

The role of the Audit committee is to help the Board of Directors ensure that THEOLIA's parent company financial statements and consolidated financial statements provide a true and fair view, and to safeguard the quality of the internal control framework and information reported to shareholders and the market. The Committee advises on and makes any recommendations to the Board of Directors in the areas described below. The Audit Committee has the particular responsibilities entrusted to it by the Board of Directors:

With regard to the **financial statements**:

- proceed to the prior examination of the financial statements and issue its opinion on the draft yearly, half-yearly and, if applicable, quarterly financial statements that the Board of Directors entrusts to it;
- examine the relevance and the permanence of the accounting principles and rules used in drawing up the financial statements and prevent any failure to adhere to these rules;
- be presented with the progress of the consolidated companies and receive, if applicable, any necessary explanations;
- hear, when it deems it necessary, the legal auditors, the general management, the financial management, the internal auditing team or any other member of management; these hearings may take place, if necessary, without members of the general management being present;

- examine the draft and interim yearly financial statements, business report and profit report and all financial statements (including projected financial statements) produced for the requirements of specific significant transactions, as well as important financial statements before they are issued;
- safeguard the quality of procedures on adherence to stock market regulations.

With regards to the **external control** of the Company:

- examine issues relating to the appointment, re-appointment or dismissal of the Company Legal Auditors and the amount of fees which is set for performing legal control duties;
- supervise the rules concerning how Legal Auditors are approached to carry out duties other than auditing and, more generally, to ensure that the principles which safeguard the independence of the Legal Auditors are adhered to;
- pre-approve any task which is entrusted to the Legal Auditors other than auditing;
- examine each year with the Legal Auditors the audit fee amounts paid by the Company and its Group to entities of the networks to which the Legal Auditors belong, as well as their response plan, the conclusions of the Legal Auditors and their recommendations as well as the way in which their findings are acted upon;
- arbitrate, if required, on any points of disagreement between the Legal Auditors and general management which are likely to arise in the course of these tasks.

With regards to the **internal control** of the Company:

- assess the efficiency and quality of the Group's internal control systems and procedures;
- examine, in conjunction with the internal audit managers, the response and action plans in respect of internal auditing, the conclusions drawn as a result of these responses and actions and the recommendations and actions that result, if required, without members of general management being present;
- be informed by general management, or by any other means, of any complaints from third parties or any internal information arising from criticisms made to the financial statements or to the Company's internal control procedures, as well as the procedures implemented for this purpose and the solutions applied to these complaints or criticisms;
- entrust to internal auditing any task that it deems necessary.

With regard to **risks**:

- receive regular updates as to the financial situation, cash-flow situation and significant commitments and risks affecting the Group;
- examine the procedures chosen to assess and manage these risks.

As of December 31, 2008, the Audit Committee comprised Mr. Stéphane GARINO, Chairman, and Mr. Norbert Van LEUFFEL (representing the company SPRL SOFINAN). The duration of the term of office of the members of the Committee coincides with their term of office as directors. The term of office of Committee members may be renewed at the same time as the director role.

The Audit Committee appoints its Chairman and meets at least twice a year. The Audit Committee shall determine the dates of its meetings. However, the Committee may meet upon the request of its Chairman, two of its members or upon the request of the Chairman of the Board of Directors.

In order for the Audit Committee to validly deliberate, at least half of the members of the Committee must be present. The members of the Committee must appear in person and cannot be represented by proxy.

The following persons attend the meetings of the Audit Committee:

- the Chairman of the Board of Directors or the person delegated for this purpose or these two people together, unless the Committee decides otherwise;
- any person the Committee wishes to hear.

At least once a year, the Committee hears the Legal Auditors under the conditions that it establishes. If the Committee considers it necessary in order to fulfill its remit, the Committee must ask the Board of Directors for resources to call upon external assistance.

Since the Audit Committee was established in April 2006, the Board of Directors has entrusted two tasks to the Committee concerning the Company financial statements on June 30, 2006 and December 31, 2006 and different tasks concerning the

Company's financial statements on June 30, 2006, December 31, 2006 and June 30, 2007. The Committee reported back on the development and conclusion of these tasks to the Board of Directors.

Moreover, the Audit Committee met within the context of exceptional Group operations which had a significant financial impact. Meeting in Stuttgart for the acquisition of Natenco GmbH, the Committee allowed joint Group procedures to be implemented. The Committee has worked hard and intervenes systematically when all of its members are present. It has the support and recognition of the directors for the clarity and the quality of its recommendations.

1.4.2. The Nominations and Remunerations Committee

The Nominations and Remunerations Committee is tasked by the Board of Directors with the following, inter alia:

With regards to **nominations**:

1. to examine all applications to appointments as members of the Board of Directors and to give opinions or recommendations on such applications to the Board of Directors, with particular regard to the position;
2. non-executive directors of these applications and of the desirable number of non-executive directors on the Company Board of Directors;
3. to prepare in good time recommendations for the succession of the Chairman of the Board of Directors.

With regards to **remunerations**:

(1) to make recommendations to the Chairman concerning remuneration, retirement and healthcare plans, benefits in-kind and other miscellaneous monetary entitlements, including, if applicable, allocations of subscription options or Company share purchase options as well as the allocation of free shares awarded to the Chairman and the Vice-Chairman(men) of the Board of Directors, and to any employee members of the Board of Directors;

(2) to make recommendations on the remuneration of members of the Board of Directors.

As of December 31, 2008, the Nominations and Remunerations Committee comprised Mr. Jacques Putzeys, Chairman, Mr. Louis Ferran and Mr. Éric Peugeot.

At the time this report was prepared, the Committee was chaired by Mr. Louis Ferran, who was assisted by Mr. George Hersbach and Mr. Eric Peugeot.

The duration of the term of office for members of the Committee coincides with the term of office for their director appointments.

The term of office for the Committee roles may be renewed at the same time as the director position.

The Chairman of the Board of Directors attends Committee meetings unless the latter decides otherwise.

The Committee shall appoint its Chairman. The Committee meets at least twice a year, once prior to the approval of the agenda for the annual general meeting, to examine the draft resolutions that are to be submitted to the meeting and which concern positions of members of the Board of Directors and, if applicable, non-voting members of the Board.

The Committee shall convene, as necessary, upon summoning by the Chairman of the Board of Directors or by the Chairman of the Committee or half of their members.

In order to deliberate validly, at least half of its members must be present. No members of the Committee may be represented; they must all attend in person.

1.5. Frequency of Board meetings

The Board of Directors met 18 times in 2008; this high frequency of Board meetings attests to its level of involvement and its frequent consultation.

Translations for the chart:

Jan 08, 08; Feb 06, 08; Mar 13, 08; Apr 10, 08; Apr 14, 08; May 06, 08; May 26, 08; Jun 09, 08; Jun 28, 08; Aug 01, 08;

Aug 28, 08; Sep 25, 08; Sep 29, 08; Nov 05, 08; Nov 13, 08; Dec 18, 08; Dec 23, 08; Dec 30, 08

TOTAL PRESENT BOD; %ATTENDANCE; COMMITTEE MEETINGS

	08-janv-08	06-févr-08	13-mars-08	10-avr-08	14-avr-08	06-mai-08	26-mai-08	09-juin-08	28-juin-08	01-août-08	28-août-08	25-sept-08	29-sept-08	05-nov-08	13-nov-08	18-déc-08	23-déc-08	30-déc-08	TOTAL PRESENCE CA	% DE PRESENCE	REUNIONS COMITES
M. Louis FERRAN	○	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	94%	4
M. Stéphane GARINO	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	18	100%	3
M. George HERSBACH	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	○	•	17	94%	
M. Arne LORENZEN	•	•	•	•	•	•	○	•	•	•	•	•	•	•	•	•	•	•	17	94%	
M. Andrew MARSDEN	•	•	•	○	•	•	○	•	•	•	•	•	•	•	•				15	87%	
M. Yves MENAT	•																		1	100%	
M. Ramzi NASSAR		•	•	•	•	•	•	•	•	•	•	•	•	•	○				13	93%	
M. Philippe PERRET	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	○	•	•	17	94%	
M. Eric PEUGEOT	○	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	94%	4
M. Jacques PUTZEYS	•	•	•	•	•	○	○	•	○	•	•	○	•	•	•	○	•		12	71%	3
M. Jean-Marie SANTANDER	•	•	•	•	•	•	•	•	•	•	•	•	○						12	92%	
The company SPRL SOFINAN represented by Mr Norbert Van Leuffel	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	18	100%	3

Legend
- • Director present
- o Director excused

The Board of Directors met 18 times in 2008; the average duration of the sessions was 4 hours.

The attendance rate of directors was very high (over 93% in 2008, compared to 90% in 2007 and 73% in 2006). This reflects their high level of involvement in the development and administration of THEOLIA.

1.6. Remuneration policy for officers

Remuneration for officers is set by the Board of Directors and is based on a report from the Nominations and Remunerations Committee. The fixed and variable amounts of the remunerations received by the directors in 2008 are presented in the Group's management report in paragraph Officer Remunerations.

Variable bonuses were determined, in the case of Mr. SANTANDER, according to the attainment of the development and progress objectives of the Company's stock market prices.

The Combined General Meeting of May 31, 2008 saw the allocation of director's fees to the directors. During the financial year, the amounts paid per non-employee director fluctuated between €30,000 and €67,500 paid depending on the attendance of non-employee directors at the Board meetings but also depending on the work carried out within the Committees and their involvement. Employee directors do not receive any remuneration in respect of their terms of office.

Further, directors benefited from the allocation of stock subscription warrants or free shares (for employee directors).

1.7 Limitation of the powers of the General Management

The roles of Chairman and Chief Executive Officer were separated on September 29, 2008.

From January 1 to November 10, 2008, the powers of the Chief Executive Officer were not subject to any particular limitation; the Chief Executive Officer's functions, powers and responsibilities were those set out in the Articles of Association and in current legislation.

At the Board Meeting of November 11, 2008, a delegation of authority encompassing the delegation of Chief Executive Officer and the directors of overseas subsidiaries was implemented and now appears in the notes to the Internal Regulations of the Board of Directors.

2. Internal control

The 2008 financial year presented an opportunity to the THEOLIA Group to pursue its efforts in terms of internal control. This was particularly the case in the accounting and finance areas, where a structuring approach was initiated in line with the recommendations of the AMF which were issued on January 22, 2007.

2.1. Objectives of internal control and scope

Internal control forms an integral part of the THEOLIA Group governance strategy.

The durability of the internal control objectives of the THEOLIA Group, which are outlined below, is completely coherent with the AMF approach to Internal Control which has been newly implemented (COSO-compatible).

The purposes of internal control are as follows:

- to ensure compliance with legislation, regulations, rules and internal regulations, and contracts;
- to ensure that the Group's assets are protected and preserved;
- to exercise optimum control on the Group sectors and companies;
- to ensure the reliability and integrity of the accounting system and the financial and operational information;
- to ensure the Group's objectives are attained and optimized;
- to prevent and manage risks which may prevent these objectives from being met.

The objectives specific to the AMF approach are based on the following themes:

- self-evaluation of the accounting and financial internal control system;
- the documentation of this system.

The internal control procedures which have been implemented apply to all companies included within the scope of consolidation. These procedures are, in some areas, different depending on whether the entity concerned is located in France or in another country.

2.2. The main parties involved in internal control:

The procedures have been put in place by the Group's General Management; the major roles, both internal and external, are played by the following:

- the Board of Directors;
- the Audit Committee;
- the Finance Department;
- the General Office;
- the Legal Department;
- the General Management Departments of the subsidiaries;
- the various accounting, tax or legal service providers.

2.3. Main risk factors

The main risk factors are analyzed in the 2008 Management Report (Chapter 5). The identification of significant risk is in principle the responsibility of the company Management, and it is then implemented by the financial department. Particular care was taken when identifying these risks and any measures put in place to deal with them.

2.4. Internal control reference framework

In an extension to the approach which began in 2006 on internal control and which continued into 2007 and 2008, the Group drew upon the recommendations of the AMF contained in the internal control Reference Framework.

To this end, the company has requested a methodological review of this self-evaluation and self-documentation approach to internal control from a provider.

The purpose of this approach is to reconcile the following:

- the initiation of a risk map approach,
- a review on compliance with the AMF Reference Framework on internal control.

The AMF Reference Framework rests on 3 basic elements:

- a description of the general principles of internal control,
- a guide to applying accounting and financial checks,
- appended questionnaires on risk management.

The selected approach consists of the following:

- starting from 2007, the design of a map, by way of identification workshops, to identify risk factors, specifically on the scope of processes that are eligible under the reference framework, in other words, 26 processes relating to accounting and financial information. This map was updated in 2008.
- assessing the suitability of gradually extending, if possible over the course of the next 3 financial years, this map approach, to other significant business and/or media processes;
- updating the self-evaluation of internal control in 2008 and proceeding to existence tests over the course of the financial year.

The THEOLIA Group's compliance review with the Reference Framework has allowed two categories of controls to be differentiated in its Application Guide component:

- those for which improvements in design or formalization are required,
- those for which a satisfactory self-evaluation has been formulated.

The control elements which need to be improved have been mapped in the form of risk factors, and as such prioritized, according to the level of each one. Methodologically, the critical nature of a risk can be assessed by crossing the Probability and Unit impact components. The order of priority of the risk factors reflected in the map made it necessary to define an action plan to update these control points.

For the control elements that are self-evaluated favorably, and in line with the recommendations of the AMF and the Rules of Professional Conduct for Auditors (*Normes d'Exercice Professionnel des Commissaires aux Comptes)* (NEP n°95-05), a schedule of existence tests was implemented in 2008 and will be continued in 2009, so as to lend a certain materiality to these self-evaluation tasks.

We would like to point out once again that, depending on the methodological indications of the AMF, an existence test has 3 components:

- relevance of the control,
- tangible nature of the control,
- conservation (traceability).

2.5. Procedures and methods of internal control relating to the processing of accounting and financial information

The accounting for the major French companies, as well as their consolidation packages, have been carried out by the accounting and financial team of the holding company. This team worked under the authority of the Group's Accounting Director, who in turn was working under the authority of the Group's Financial Director.

The financial statements of the overseas subsidiaries are produced under the authority of the directors of these subsidiaries. The reporting packages are sent back to the holding company and checked by the consolidation team under the authority of the Group's Financial Director.

To produce the consolidated financial statements, validation procedures are applied at each stage of the return and information processing procedures. The purpose of these validation procedures is to check the following particular points, on a six-monthly basis:

- the correct adjustment and removal of internal transactions;
- checking of consolidation operations;
- the correct application of rules;
- the quality and consistency of the published consolidated accounting and financial data and, in particular, the coherence between the accounting data and management data used to produce financial information.

The reporting and consolidation tool, which is used by all entities, ensures this data coherence and reliability, thanks to blocking controls, before the data is returned to the Group.

The consolidation procedures manual is reviewed and updated regularly and it contains the accounting principles which must be applied, the current rules and the instructions for computerized tools. Finance days are organized at the Company Headquarters with all of our subsidiaries' managers.

Moreover, the organization of the Group, which is based on reporting by each subsidiary and IFRS rules, and is sent by country directly to the parent company in local currency, without any intermediary aggregate, optimizes the transmission and the completeness of the information.

The Group has a body of accounting and management rules and methods, which must be applied by all consolidated subsidiaries. These allow for reliable financial information to be provided.

Consolidation instructions are issued every year-end to each subsidiary; these include a year-end schedule, the team responsible, the scope of consolidation, the Group accounting principles from the notes and the content of the package.

The accounting rules establish the principles necessary to consistently process transactions. In particular, they specify the procedures for the assessment and valuation of off-balance sheet commitments. They are compliant with the IFRS rules, which are the new referential for consolidated financial statements as of 2005. The Group's Financial Department is continuing its work of overseeing the preparation of the new IFRS rules so as to best anticipate and give notification of their effects on the Group's financial statements.

The Financial Department is responsible for the processing and centralization of cash flow as well as the coverage of exchange rate risks. This department will also carry out an analysis of commitments and any related reporting.

The investment plans are backed by the Management Committee and any change in relation to the forecasts is subject to specific prior authorization.

All accounting and financial elements prepared by the consolidated subsidiaries are subject at least to a limited examination at the end of each six-month period, and to an audit at the end of the financial year, carried out by independent auditors. This work also covers the validation of the transfer of the financial statements between local accounting principles and the IFRS rules.

At the end of each financial year, a file is prepared for each French subsidiary (company financial statements) and for the holding company (company financial statements and consolidated financial statements).

The internal control procedures carried out for accounting and financial information are the following: the budget process, the cash flow monitoring process… We would point out that as far as transactions are concerned, the procedures are designed to ensure adherence to certain rules which lie at the heart of THEOLIA's business. In other areas, the procedures are mostly intended to ensure that management actions comply with legislation and regulations.

2.6. Checks implemented and evaluation of procedures

The preparation of this Report is based on both the internal control methods as outlined above and on the checks carried out on the request of the Chairman of the Board of Directors by the different support functions, as well as the preparatory work of the Audit Committee.

2.7. Work schedule for 2009 in terms of internal control

As previously announced, the continuity of the AMF Reference Framework approach to Internal Control presupposes the following:

- the definition and implementation of an action plan targeted at critical elements which were detected when drawing up the risk map;
- the completion of a program of existence tests on controls that were self-evaluated positively;
- the annual updating of the internal accounting and financial control system self-evaluation.

Phases 1 and 2 will be conducted in parallel over the course of the 2009 financial year, while phase 3 will be fully justified in the last quarter of 2009.

2009 should confirm the reinforcement of the role of internal control, and a Vice Chief Executive Officer in charge of Finance is expected to be recruited who will be responsible, inter alia, and jointly with the Chief Executive Officer, for this deployment on a Group scale.

REPORT BY THE LEGAL AUDITORS

Jean JOUVE
72 rue Saint Jacques
13006 Marseille

Deloitte & Associés
Les Docks - Atrium 10.4
10 place de la Joliette
13002 Marseille

THEOLIA
Société Anonyme (limited liability corporation)
75, rue Denis Papin
13290 Aix-en-Provence

Report by the Legal Auditors produced
pursuant to Article L. 225-235 of the Commercial Code
on the report made by the Chairman of the Board of Directors
of the company THEOLIA

Financial year ended December 31, 2008

To the shareholders,

As the Legal Auditors of the company THEOLIA and pursuant to the provisions of Article L. 225-235 of the Commercial Code, we present our report on the report made by the Chairman of your company, in accordance with the provisions of Article L. 225-37 of the Code of Commerce produced for the financial year ending December 31, 2008.

It is the responsibility of the Chairman to produce and submit for the approval of the Board of Directors a report outlining the internal control and risk management procedures implemented within the company, and to provide the other information required by Article L. 225-37 of the Commercial Code, particularly concerning the corporate governance system.

Our job is to do the following:

- notify you of our observations concerning the information contained in the Chairman's report on the internal control procedures relating to the production and processing of accounting and financial information, and

- attest that the report contains the other information required by Article L. 225-37 of the Code of Commerce. We would point out that it is not our job to verify the accuracy of this other information.

We have completed our work in accordance with the rules on professional conduct which apply in France.

Information concerning the internal control procedures on the production and processing of accounting and financial information

The rules on professional conduct require checks to be implemented which assess the veracity of the information on internal control procedures relating to the production and processing of accounting and financial information contained in the Chairman's report. These checks mainly consist of the following:

- finding out about the internal control procedures relating to the production and processing of accounting and financial information which underlies the information presented in the Chairman's report as well as the existing documentation;

- find out about the work which provided the basis for the production of this information and the existing documentation;

- determine whether there are any major internal control deficiencies concerning the production and processing of accounting and financial information that we may point out as part of our task, based on the appropriate information in the Chairman's report.

Based on this work, we have no comments to make on the information concerning the company's internal control procedures for the production and processing of the accounting and financial information contained in the report of the Chairman of the Board of Directors, which was drawn up pursuant to the provisions of Article L. 225-37 of the Commercial Code.

<u>Other information</u>

We attest that the report by the Chairman of the Board of Directors includes the other information required by Article L. 225-37 of the Commercial Code.

Marseille, April 30, 2009

The Legal Auditors

Jean JOUVE	**Deloitte & Associés**
	Anne-Marie MARTINI

16.4.4.2. Evolutions in internal control and risk management since the end of the 2008 financial year

Since the close of the 2008 financial year, the Group has implemented the following particular actions in order to improve the control and management of risks within the Group:

(3) Decreased the periods for the delivery of the THEOLIA annual and interim financial statements;

(4) Internalized THEOLIA accounting as of November 1, 2009;

(5) To improve the collection and the quality of the information required to produce the annual and interim financial statements, a communication and reporting line has been implemented in THEOLIA departments to link said departments to the accounts closing procedure;

(6) Nomination of a sole contact person within THEOLIA to ensure communication with the legal auditors;

(7) Implementation of a daily cash flow monitoring tool for French activities;

(8) Nomination of an internal controller and auditor (see paragraphs 2 and 3 below);

(9) Implementation of a reporting procedure for disputes within the Group;

(10) Implementation of an Audit Committee Charter (see paragraph 1.c below).

1. Audit Committee

a. Composition of the Committee

Given the nominations which were made at the meeting of the Board of Directors of November 6, 2009, the Audit Committee now comprises Mr. Philippe Leroy (Chairman), Mr. Jean-Pierre Mattei and Mr. Philippe Dominati.

b. Audit Committee Meetings

Since the end of the 2008 financial year, the Audit Committee met on two occasions: August 28, 2009 and December 14, 2009.

c. Adoption of an Audit Committee Charter

At its meeting of December 14, 2009, the Audit Committee debated a draft Charter to define the organization of the Committee, and its powers and duties taking into account the various legal and regulatory changes. This draft Charter will be resubmitted to the members of the Audit Committee for final examination, and then outlined for discussion and approval by the Board of Directors. This draft Charter is intended to formalize the tasks of the Audit Committee and to entrust to it the supervision of the following tasks:

- The management of risks and internal control with a view to (i) ensuring the monitoring of internal control and risk management systems, and particularly assessing the internal control systems, examining the work schedule and results of the audit department and the recommendations as well as the working relations with internal control for the production of the financial statements and also with a view to (ii) examining regularly, with the general management, the main risks facing the Group, particularly by means of the risk map.

- Manage relations with the independent auditors in order to (i) control the selection and re-appointment of the legal auditors, to make observations on the amount of fees requested by the latter and to submit the results of its work to the Board; (ii) to ensure that the related tasks are not likely to affect the independence of the legal auditors; and (iii) to examine the work schedule of the legal auditors, their conclusions and their recommendations.
- Analyze the financial information in order to (i) ensure the relevance and permanence of the accounting methods adopted to produce the company financial statements and consolidated financial statements, to examine and assess the scope of consolidation and to examine and check the relevance of the accounting rules applied in the Group; (ii) to examine, before they are presented to the Board, the company financial statements and consolidated financial statements; and (iii) to monitor the process used to produce the financial information and communication.

To carry out these tasks, the draft Charter stipulates that the Audit Committee has a right of discovery over all documents it deems necessary to complete its tasks and that it may obtain advice from independent experts from outside the Group.

2. Nomination of an internal controller

On September 1, 2009, the role of internal controller was created and entrusted to Ms Capucine Juillard.

The internal controller, who is attached to the Group's financial department, is responsible for the coordination of the operational departments with a view to identifying, standardizing and increasing the reliability of the key processes used to produce financial information elements. The work of this controller is based upon three areas:

- standardize and update the key financial information processes into procedures which are widely distributed and available;
- harmonize the management systems relating to the implementation of such procedures; and
- ensure that the skills are compatible with the needs of the organization.

Internal control consists, in the first place, in the efficient management of all company processes, including non-financial processes (commercial, technical, human resources, legal and economic). Later on, rigorous control is needed on the application of the Group rules, which is the particular responsibility of the internal controller. Internal control, in all of its components, particularly the financial and operational ones, is also essential for THEOLIA. The objective of the Group is to maintain the balance between the decentralization necessary for it to conduct its activities, improved operational and financial control and the circulation of expertise and good practice. Therefore, as part of the initiative to improve the financial reporting system, the THEOLIA financial department has launched the development of an integrated declaration and management system aimed at optimizing the circulation of accounting information from the subsidiaries.

3. Nomination of an internal auditor

On September 1, 2009, Mr. Serge Rocca was appointed as the internal auditor.

The role of the internal auditor is to assess the risk management processes, control processes and corporate governance processes and to contribute to improving these processes using a methodical approach. This assessment concerns all internal control components and in particular, the reliability and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and adherence to legislation, regulations and contracts.

3. Plan 2010

At its meeting held on December 14, 2009, the Audit Committee entrusted the following tasks to Mr. Olivier Dubois:

- the implementation of new provisions concerning internal control and the procedures for monitoring the accounting and financial information production and processing procedures used to produce the 2009 financial statements as decided upon by the Audit Committee;
- audit on the independent companies (*sociétés de projet*) that do not have their own human resources departments, particularly on aspects of the circulation of accounting information concerning consolidation and contractual, statutory and regulatory law;
- audit of the Group's Italian activities; and
- production and finalization of the Group's risk map.

16.4.5. Regulations to prevent the risk of insider trading

Pursuant to the provisions of Article 5.6 of the Internal Regulations, directors are prohibited from buying or selling Company securities for as long as they hold an appointment in the Group. However, directors may engage in purchase or sale transactions which are decided upon by an independent approved financial intermediary bound by a portfolio management contract which stipulates the non-intervention of the director. The company also keeps an updated list of insiders (mainly comprising officers, employees working with Management and any persons with close ties to them pursuant to Article L 621-18-2 of the Monetary-Financial Code as well as all persons involved in current transactions).

17. EMPLOYEES

17.1. CORPORATE INFORMATION

17.1.1. Group Personnel

The Group personnel includes all employees of the companies covered within the scope of consolidation. As of December 31, 2008, the Group had 295 employees and as at December 31, 2009, it had 270 employees.

The evolution of the number of Group employees, over the course of the last three years, by geographical area, was as follows:

	12/31/2009 (1)	12/31/2008	12/31/2007	12/31/2006
France	164	187	150	117
Germany	55	46	49	36
Other countries	51	62	38	7
TOTAL	270	295	237	160

(1) not audited

Of these 295 employees, 187 worked in wind activities and 108 worked in non-wind activities.

The departure of the previous Chief Executive Officer resulted in 4 resignations from the holding company; these departures became effective at the beginning of 2009.

Moreover, a redundancy plan was implemented within the holding company at the end of 2008. It came to an end in early 2009 with the departure of 10 employees.

17.1.2. Employee pay

The Group strives, in each country, to award compensation that is proportionate with the level of skills, training, responsibility and performance of each employee and to provide a standard of living in accordance with local legislation in terms of labor law.

For some positions, there is a variable part of the compensation which allows employee pay to be linked to the attainment of objectives.

For the 2008 financial year, salaries and costs came to a total of 20.838 million euros on the income statement, compared to 18.132 million euros for the 2007 financial year (re-processed according to IFRS 5).

THEOLIA strives to motivate and retain its employees, and to attract new talent. With this objective in mind, the Group is continuing the free share plan for its key employees in France and its overseas subsidiaries. In 2008, 313,500 shares were allocated free of charge to Group employees. The free shares awarded to employees over the course of the 2008 financial year will be acquired at the end of a period of two years and they must be kept for an additional period of two years.

A profit share plan and an employee saving scheme were concluded during 2008.

The Company has not implemented any other plans.

Employees hold less than 3% of the capital (according to the IAS – Euronext index).

Over the course of 2008, no stock subscription warrants were allocated to the employees and no stock subscription warrants were exercised by employees.

17.1.3. Human resources policy

The Group conducts a policy of professional equality within the organization. Its policies on recruitment, career management and the personal development of employees are implemented fairly and without discrimination.

In terms of the organization of working hours in France, the working times applicable to all French subsidiaries corresponds to the 35 hours per week law, bearing in mind that there are different flexible options as follows:

- 39 hour employment contracts: 35 hours + 4 additional hours per week,

- Fixed 218 day contracts with rest days according to the *Convention Collective Nationale des Cadres de la Métallurgie (*National Collective Agreement of Metalworker Executives) of March 13, 1972 amended.

Some senior executives have a fixed contract which does not specify working times (*forfait tous horaires*).

Persistent absenteeism is very low, which demonstrates the solid commitment of the employees. Additional hours are worked only as part of 39 hour contracts.

With regards to recruitment, the search for new talent is carried out without any great difficulty. Vacant positions are advertised on the THEOLIA Group website and/or the websites of its subsidiaries or by outside advertising. Applications are assessed and referenced in a résumé bank. This active sourcing allows for profile searches to be performed even before a job advertisement is published.

The Group Companies in France make use of sub-contracting, particularly in the form of structural assistance contracts in the areas of prospecting and surveys. Sub-contracting is most widespread in Germany as a result of local practice.

In terms of training, all Companies use the legal package for continuing professional development. This training is focused around technical and managerial areas.

As far as professional relations in France are concerned, it should be noted that company dialogue is open and active. The Group encourages direct dialogue with its employees.

17.2. OFFICER SHAREHOLDING AND TRANSACTIONS REALIZED BY MEMBERS OF THE BOARD OF DIRECTORS ON THE COMPANY'S SECURITIES

The transactions declared to the AMF by the directors concerning Company securities over the course of the 2008 financial year at the time this Reference document was produced were as follows:

Declarant	Date of the transaction	Nature of the transaction	Unit price (in euros)	Transaction amount (in euros)
Jean-Marie SANTANDER	05/09/2008	Saler	24.00	4,800
	09/12/2008	Acquisition	9.20	3,237.33
Philippe PERRET	09/23/2008	Acquisition	10.27	51,848.75
	10/03/2008	Acquisition	7.09	70,909.45
Arne LORENZEN	06/19/2008	Acquisition	18.64	2,982.40
George J.M. HERSBACH (1)	08/27/2008	Other	13.94	41,820.00
	08/28/2008	Other	13.90	41,700.00
	08/29/2008	Other	14.40	43,200.00
	09/01/2008	Other	14.40	43,200.00

(1) Mr. George J.M. HERSBACH declared to the Company and to the AMF that said transactions were carried out in the name of his company Heartstream and not in his own personal name.

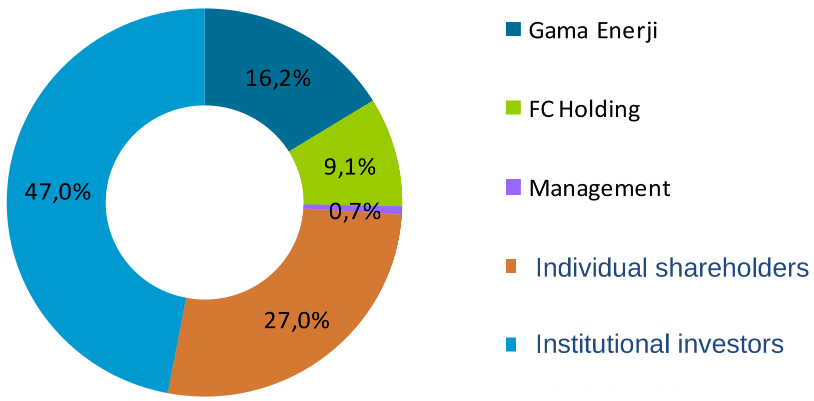
The shareholding of officers in the Company capital as of December 31, 2008 is shown in paragraph 0 of the present Reference document.

The history of the allocation of share subscription options or share purchase options as of December 31, 2008 is shown in paragraph 15.1.4 of the present Reference document.

18. MAIN SHAREHOLDERS

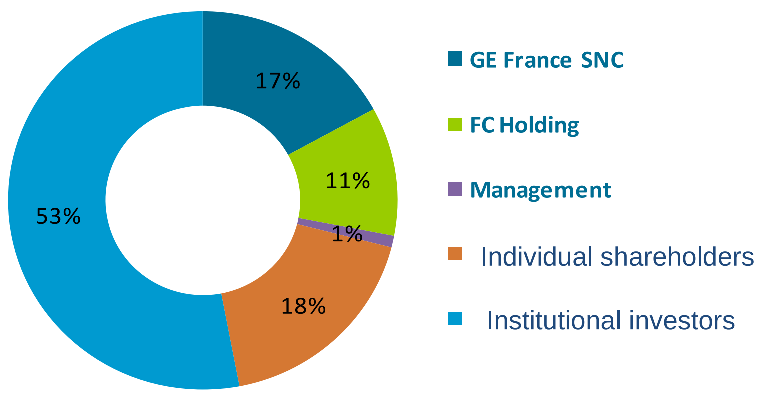
18.1. MAIN SHAREHOLDERS

Following the performance of a TPI (identifiable bearer security) study, the distribution of the capital held by shareholders as of September 30, 2009 is as follows:



The company FC Holding purchased a stake in December 2006 as part of the acquisition of Natenco which took place through the contribution of securities. Gama Enerji AS took control over GE Energy Financial Services following the transfer of securities in a joint venture between GE Energy Financial Services and Gama Enerji AS which began in December 2008. Apart from these capital inflows from the two major shareholders (Gama Enerji AS and FC Holding), THEOLIA's capital structure has remained relatively stable over the course of the last three financial years between institutional investors.

The distribution of the Company's capital shareholding as of December 12, 2008 was as follows:



The geographical distribution of the shareholders as of September 30, 2009 was as follows:

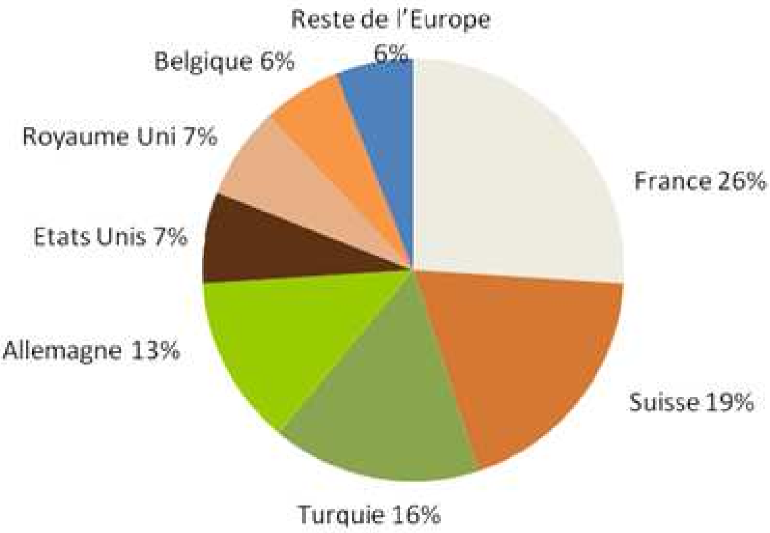


Chart translation: Rest of Europe 6%, France 26%, Switzerland 19%, Turkey 16%, Germany 13%, United States 7%, United Kingdom 7%, Belgium 6%.

Cases of shareholding thresholds being crossed which have been declared to the AMF since the beginning of the 2008 financial year are as follows:

Date of declaration	Name of shareholder	Type of threshold crossing	Date threshold was crossed	% capital held following this crossing	% voting rights held following this crossing
09/15/2008 09/16/2008	BlackRock Investment Management (UK) Limited	Lower threshold	09/11/2008	4.96%	4.76%
10/06/2008 10/07/2008	Mr. Pierre Salik and his family	Upper threshold	09/09/2008	5.41%	5.20%
10/29/2008 10/30/2008	Mr. Willi Balz, in his own name and through the German companies FC Holding GmbH and Financial Consulting GmbH which he controls	Lower threshold	10/22/2008	10.39%	9.98%
12/16/2008	Mr. Willi Balz, in his own name and through the German companies FC Holding GmbH and Financial Consulting GmbH which he controls	Upper threshold	12/10/2008	10.55%	10.12%
12/22/2008 (1)	GE France SNC	Lower threshold	12/19/2008	0%	0%

12/29/2008 [1]	Gama Enerji AS	Upper threshold	12/19/2008	16.59%	15.92%
10/05/2009 10/06/2009	Mr. Willi Balz, in his own name and through the German companies FC Holding GmbH and Financial Consulting GmbH which he controls	Lower threshold	09/29/2009	9.06%	8.71%

- It should be noted that the last two threshold crossings mentioned above occurred as a result of the transfer by GE France SNC of 6,462,000 THEOLIA shares to the Turkish company Gama Enerji AS. At this time, Gama Enerji AS also acquired 3,000,000 stock subscription warrants carrying the right, via subscription, to the same amount of THEOLIA shares; these warrants were acquired from the company EFS-B Inc, a company controlled by General Electric Company.

  The capital of Gama Enerji AS is held equally by the Turkish company Gama Holding AS and GE Energy Financial Services, a company under the law of the State of Delaware (United States) which itself is controlled by the General Electric Company, a company under the law of the State of New York (United States).

18.2. TRADING ON THE EURONEXT MARKET PARIS

The evolution of stock market prices from January 1, 2006 to December 31, 2009 is shown below:

Graph translation: Historical graph – March, June, Sep, Dec.

It should be noted that the Company began trading on Euronext Paris (a regulated market) on July 31, 2006. Prior to this, it was quoted on the Paris stock exchange OTC market.

18.3. PRINCIPAL SHAREHOLDER VOTING RIGHTS

It should be noted that dual voting rights over and above the rights attached to other shares, depending on the quota lot of the share capital that they represent, are allocated to all shares that are fully paid up and for which a nominative registration for at least two years in the name of the same shareholder can be proved, whether that shareholder is a French national or a national from another member state of the European Union.

18.4. CONTROL OF THE COMPANY

The Company is not aware of any pact or agreement concluded between shareholders on the date this Reference document was recorded.

As far as the Company is aware, no actions in concert were declared to the Company or to the AMF.

18.5. AGREEMENTS WHICH MAY LEAD TO A CHANGE IN THE CONTROL OF THE COMPANY

As far as the Company is aware, on the date this Reference document was registered, there were no agreements in place whose implementation may, at a later date, bring about a change in its control.

The agreements signed with the principal bond holders could result in a significant dilution of the existing shareholders, a recomposition of the Company's share capital and potentially a change in control of the Company as indicated in paragraph 20.8.

18.6. CLAUSES LIKELY TO HAVE AN IMPACT ON THE CONTROL OF THE COMPANY

With regard to the dual voting rights granted to any shareholder that holds fully paid-up shares and which the shareholder can demonstrate were held in their name for at least two years, no statutory clauses are likely to have the effect of delaying, deferring or preventing the change in control of the Company.

19. RELATED-PARTY TRANSACTIONS

19.1. RELATED-PARTY TRANSACTIONS

The description of the related-parties transaction appears in Note 29 to the consolidated financial statements as of December 31, 2008 forming part of Chapter 20 of the present Reference Document.

19.2. AUDITORS' REPORT ON REGULATED AGREEMENTS DURINGTHE 2008 FINANCIAL YEAR

THEOLIA
Public Limited Liability Company
75 rue Denis Papin
13100 AIX EN PROVENCE

Special Report by the Auditors on Regulated Agreements and Commitments

Year ending December 31, 2008

THEOLIA
Public Limited Liability Company
75 rue Denis Papin
13100 AIX EN PROVENCE

Special Report by the Auditors on

Regulated Agreements and Commitments

Year ending December 31, 2008

To the Shareholders,

In our capacity as your company's Auditors, we now submit our report on regulated agreements and commitments.

1 – Agreements and commitments authorized during the year

By virtue of Article L. 225-40 of the Commercial Code, we were advised of agreements and commitments that were subject to prior authorization by your Board of Directors.

We are not required to investigate the possible existence of additional agreements but to communicate, on the basis of the information provided to us, the essential terms and conditions of those agreements of which we have been advised; nor are we required to comment on their appropriateness and validity. Pursuant to the terms of Article R. 225-31 of the French Commercial Code, IT is your responsibility to assess the merits of these agreements and commitments with a view to their approval.

We have taken all the care that we considered necessary having regard to the professional ethics of the *Compagnie Nationale des Commissaires aux Comptes* in respect of this task. Such care consisted in verifying the consistency of the information that was provided to us with the underlying documents from which it was taken.

1.1 Board of Directors meeting on December 27, 2007

Activity Agreement with the Faracha Company

Persons concerned:

Mr. Jean-Marie Santander, Chairman of your company's Board of Directors and a director of Faracha.

Purpose:

Mr. Jean-Marie Santander decided as part of his general management tasks to set up a team of specialists to monitor the growth strategy of the THEOLIA Company. The Board therefore in December 2007 approved the conclusion of a strategic assistance and activity agreement with the Faracha Company. Signed on March 13, 2008, the agreement was made for one year, subject to renewal, effective from January 1, 2008.

Basis

The amount invoiced by the Faracha Company for 2008 amounts to 273,486 euros excl. tax for services provided to THEOLIA from January 1 to September 29, 2008 (excluding cancellation of the contract; see below for the agreement authorized by the Boards of Directors on September 25 and 29, 2008).

This agreement was canceled on September 29, 2008 following the resignation of Mr. Jean-Marie Santander from his office as Chairman and Chief Executive Officer.

1.2 Board of Directors meeting on January 8, 2008

Guarantee on behalf of a purchaser of wind farms in Germany

Persons concerned:

Mr. Jean-Marie Santander, Chairman of your Company's Board of Directors and Director of Natenco GmbH.

Purpose:

In conjunction with the transfer of a wind farm in Germany with a 24 MW output, completed on December 28, 2007 for a global amount of 40.8 million euros, THEOLIA offered an unconditional and irrevocable guarantee for repayment of the purchase price should the sale be canceled by one of the purchasers and Natenco GmbH fail to refund the price concerned.

Basis

This agreement expires on June 30, 2009.

1.3 Board of Directors meeting on March 13, 2008

Contracts with FC Holding

Persons concerned:

Agreements with FC HOLDING, a shareholder holding more than 10% of your company's capital.

Purpose:

Various contracts have been signed with FC Holding:

- Transfer contract for the Natenco brand to FC Holding provided that FC Holding does not use the brand within a period of 2 years as from the transfer
- Agreement confirming waiver of the non-competition clause initially intended for the acquisition contract for the Natenco Company dated October 11, 2006, in consideration of a right of first refusal granted to Theolia and its subsidiaries over all wind farm operations undertaken by FC Holding

- Agreement confirming suspension of the pledge on 1,117,273 Theolia shares given to secure the guarantee of liabilities offered by FC Holding in connection with the acquisition of Natenco, subject to a share lock-up commitment for the remaining period of the guarantee.

1.4 Board of Directors meeting on October 1, 2008

Contract to guarantee Natenco GmbH's commitments in favor of GE Wind Energy

Persons concerned:

Mr. Jean-Marie Santander, Chairman of your Company's Board of Directors and Director of Natenco GmbH.

Purpose:

THEOLIA issued a guarantee for 2,879,800 euros in favor of commitments assumed by Natenco GmbH (wholly-owned subsidiary) under a contract dated July 18, 2008 concluded with the company GE Wind Energy GmbH for the supply of 2 turbines with a unit output of 1.5 MW.

Basis

The guarantee is in progress.

1.5 Board of Directors meeting on August 27, 2008

Suretyship in favor of "Vereinigte Volksbank"

Persons concerned:

Mr. Jean-Marie Santander, Chairman of your Company's Board of Directors and Director of Natenco GmbH.

Purpose:

THEOLIA issued a guarantee in a sum of 3,500,000 euros to cover commitments assumed by its subsidiary Natenco GmbH under a loan agreement dated July 28, 2008 with the bank "Vereinigte Volksbank" to fund the acquisition of 3 turbines with a total output of 2.4 MW in connection with the Meersbuch Osterath project. The amount of the guarantee, which may be compared with a joint and several suretyship under French law, was reduced in an equal amount by repayments made by Natenco GmbH.

Basis:

The guarantee is in progress

1.6 Board of Directors meeting on August 27, 2008

Debt transfer Contract

Persons concerned

Mr. Jean-Marie Santander, Chairman of your Company's Board of Directors and Director of Natenco GmbH.

Purpose

Following the transfer to THEOLIA of the entire capital of Corseol then held by Natenco GmbH, Natenco GmbH assigned to THEOLIA the receivable that it held against Corseol in a sum of Euro 2,596,109.

Basis:

The agreement has been executed

1.7 Board of Directors Meetings on September 25 and 29, 2008

Severance payment on Jean-Marie Santander's departure

Persons concerned:

Mr. Jean-Marie Santander, your Company's Chairman and Chief Executive Officer and director of the Faracha Company.

Purpose

THEOLIA concluded an agreement by way of settlement concerning matters connected with Jean-Marie Santander's departure, providing for payment of a sum of 450,000 euros to himself or to the Faracha company in consideration of a non-competition commitment, a no solicitation commitment and a third party performance and cooperation commitment.

Furthermore, the agreement provides for the conditional allocation of 100,000 free shares subject to the company acknowledging his contribution to the formation and development of THEOLIA, as certified in a report by an independent expert appointed by the Board not showing any material irregularity in the conduct of the Moroccan subsidiary Theolia Emerging Markets.

The independent expert submitted his report and after having noted it, the Board unanimously decided on January 21, 2009 that the 100,000 free shares could not be issued to Mr. Jean-Marie Santander.

Basis

The agreement was executed in full, the sum in settlement of 450,000 euros being paid on written request by Mr. Santander to the Faracha Company by way of agreed settlement payment following termination of the activity agreement.

1.8 Board of Directors meeting on September 29, 2008

Service agreement with the Longview Management Services Company

Persons concerned

Mr. Marc Van't Noordende, your Company's Chief Executive Officer and director of the Longview Management Services company

Purpose

THEOLIA signed a service agreement with the company Longview Management Services under the terms of which the latter company will place a transitional chief executive officer at THEOLIA's disposal for a period of 26 weeks as from September 29, 2008.

The agreement was authorized by the Board on September 29, 2008.

Basis

For the period from September 29 to December 31, 2008, the Longview Management company invoiced a sum of 195,000 euros excl. tax. This agreement expired on April 29, 2009.

1.9 Board of Directors meeting on December 18, 2008

Letter of Comfort

Persons concerned

Mr. Arne Lorenzen, Director of your Company and of Théolia Deutschland GmbH

Purpose

The Board authorized signature of a Letter of Comfort under which THEOLIA undertook to provide Theolia Deutschland GmbH, its wholly-owned sub-subsidiary, with resources to meet its obligations towards third parties, within a limit of 2,000,000 euros.

Basis

This agreement, now in progress, will expire on June 30, 2009.

2 – Agreements and commitments approved during previous years, execution of which continued during the year

Furthermore, by virtue of the Commercial Code, we have been advised that execution of the following agreements and commitments approved during previous years was continued during the last financial year.

2.1 Centralized cash management agreement

An intra-group centralized cash management agreement was signed on February 6, 2007 between the companies of the THEOLIA Group. Under the terms of this agreement THEOLIA is required to ensure coordination and centralization of all Group cash requirements and surpluses. This agreement is in progress. Interest earned in respect of 2008 amounted to 9,366,012 euros.

2.2 Guarantees on behalf of Bernhauser Bank AG and SUDWESTBANK

THEOLIA stands surety for 75% of commitments assumed by Natenco GmbH in respect of two credit lines for 10 million euros each, intended exclusively to fund the working capital requirement, with, on the one hand, the bank Bernhauser Bank AG and, on the other, the bank Südwestbank AG.

The guarantee in favor of Südwestabank expired on September 14, 2008 and that in favor of Bernhauser bank expired on May 14, 2008.

2.3 Shareholder loans

By virtue of a wind farm financing contract, THEOLIA granted various shareholder loans to its subsidiaries as follows:

A loan granted to SAS CEMDF in a sum at closure of 4,461,483 euros, capitalizing interest at a rate of 5%. Interest in 2008 amounted to 212,452 euros.

A loan granted to SAS CEPLO in a sum at closure of 1,664,573 euros, capitalizing interest at a rate of 5%. Interest in 2008 amounted to 79,265 euros.

A loan granted to SAS SEGLIEN in a sum at closure of 3,125,50 euros, capitalizing interest at a rate of 5%. Interest in 2008 amounted to 177,972 euros.

A loan granted to SAS CEFF in a sum at closure of 1,811,139 euros, capitalizing interest at a rate of 5%. Interest in 2008 amounted to 129,433 euros.

A loan granted to SAS CESA in a sum at closure of 3,111,709 euros capitalizing interest at a rate of 5%. Interest in 2008 amounted to 148,177 euros.

A loan granted to SAS CESAL in a sum at closure of 2,740,640 euros capitalizing interest at a rate of 5%. Interest in 2008 amounted to 84,545 euros.

2.4 Guarantee in favor of Crédit Industriel d'Alsace

The THEOLIA company has stood surety for 250,000 euros for an indeterminate period for repayment of the current accounts showing a loss of its subsidiary Natenco SAS in favor of Crédit Industriel d'Alsace-Lorraine.

This guarantee is still in force.

2.5 Inter-creditor agreement

Agreement concluded between the bank RBS and the companies Royal Wind, CEFF, CESAM, Ventura, Vol-V and THEOLIA to permit funding of the construction of the THEOLIA Group's wind power plants.

The agreement is in the process of execution.

2.6 Tax integration agreement

Under the terms of this agreement, the THEOLIA Company alone is designated as liable for tax on the results of the integrated tax unit. This agreement was concluded for a period of five years as from 1 July 2005 between THEOLIA and its French subsidiaries. The participating companies and their tax contribution towards the result of the integrated tax unit are listed in Note A.

2.7 Shareholder agreement concluded between THEOLIA, Mr. Jean-Marie Santander, Mr. Mohamed Habbal and Theolia Emerging Markets

A shareholder agreement was concluded on November 28, 2007 between THEOLIA, Mr. Jean-Marie Santander, Mr. Mohamed Habbal and Theolia Emerging Markets (TEM) to set out the relationship with TEM shareholders in order to transfer control of the TEM Company to the THEOLIA Company.

This agreement was concluded for a period of 5 years as from signature and therefore ends with the transfer to Theolia by Mr. Santander of the entirety of his holding in the capital of Theolia Emerging Markets in January 2009.

2.8 Immediately enforceable guarantee by THEOLIA in connection with the CERON and CELGC funding

Theolia has issued immediately enforceable guarantees for the benefit of the Société Générale to secure swap agreements set up between the operating companies and Société Générale pending signature of a project financing agreement. The operating companies are as follows:

- Centrale Éolienne du plateau de Ronchois ("CERON") and
- Centrale Éolienne du Grand Camp ("CELGC").

These guarantees are in the process of execution and expire on the effective date of the contract for financing the wind farms and no later than December 31, 2009.

The guarantee for the funding of the company Centrale Eolienne de Sallen "CESAL" expired on the entry into effect of the financing agreement.

3 – Agreements and commitments not authorized beforehand

We also submit our report on agreements and commitments subject to the provisions of article L. 225-42 of the Commercial Code.

By virtue of article L. 823-12 of this Code, we would mention that this agreement did not receive your board's prior approval.

On the basis of the information given to us, we must advise you of the circumstances on account of which the authorization procedure was not adopted, in addition to the essential terms and conditions of this agreement.

Persons concerned

Mr. Jean-Marie Santander, Chairman of your Company's Board of Directors and director of Theolia Emerging Markets

Purpose:

The THEOLIA company granted a loan on November 19, 2007 of 25 million euros to the Theolia Emerging Markets company to fund the acquisition by the latter of the company Ecolutions GmbH & Co.KgaA.

The loan bears interest at a rate of 5% and is automatically renewable for periods of a year at a time unless terminated by either party.

Basis:

This agreement is at present in the process of execution.

Circumstances why the authorization procedure was not adopted:

Your Board of Directors felt that the above agreement was covered by article L 225-39 of the Commercial Code and, consequently, that the prior authorization procedure provided by article L 225-38 of the said Code did not apply thereto for the following reasons.

The loan was regarded as a standard agreement concluded in connection with a contribution on current account between two companies of the same group;

The financing and commercial conditions of the loan were regarded as standard, having regard to the financial capabilities of the companies concerned;

The operation allowed the common strategy to be applied towards achieving an objective of external growth and development in the group's business within the area of renewable energy in emerging countries.

Marseille, May 26, 2009

The Auditors

Jean JOUVE

Deloitte & Associés

Anne-Marie MARTINI

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL SITUATION AND INCOME

20.1. FISCAL YEAR ENDING DECEMBER 31, 2008

20.1.1. Consolidated Financial Statements as of December 31, 2008 and Auditors' Report

Consolidated balance sheet *thousands of euros*

ASSETS	Notes	12/31/2008	12/31/2007
Goodwill	9/11	78,084	120,062
Other intangible assets	10/11	94,152	75,474

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

Income statement thousands of euros

	Notes	12/31/2008	12/31/2007
Revenues	26	**69,956**	**288,134**
Purchases and changes in inventory		(25,945)	(225,685)
External expenses		(36,540)	(29,008)
Taxes and duties		(1,240)	(986)
Personnel expenses	27	(20,838)	(18,132)
Amortization and provisions	10/11	(56,346)	(12,313)
Other income and operating expenses	28	3,656	(1,572)
Current operating income	**26**	**(67,299)**	**438**
Other non-current income and expenses	29	(22,584)	22,791
Operating result before impairment		**(89,883)**	**23,229**
Impairment	30	(106,577)	(60,746)
OPERATING RESULT (after impairment)	**26**	**(196,460)**	**(37,517)**
Cost of gross financial debt		(33,009)	(12,577)
Cash and cash equivalents		6,384	3,062
Cost of net financial debt		**(26,625)**	**(9,515)**
Other financial income and expenses		(12,457)	2,526
Financial income	31	**(39,082)**	**(6,989)**
Share of income from associated enterprises	12	(3,842)	(85)
Tax expense	32	11,936	(2,777)
Net result from continued activities		**(227,448)**	**(47,368)**
Net tax income from discontinued activities or held for sale	18	(16,650)	(1,257)
NET INCOME		**(244,098)**	**(48,625)**
Group portion		(243,342)	(48,262)
Minority interests		(755)	(364)
Earnings per share	33	(6.12)	(1.41)
Diluted earnings per share	33	(4.33)	(0.94)

Statement of cash-flows thousands of euros

	12/31/2008	12/31/2007
Total net income of consolidated companies	**(244,097)**	**(48,625)**
Income from discontinued operations	16,650	-
Elimination of depreciation, amortization and provisions	156,680	18,084
Elim. of change in deferred tax	(11,936)	2,729
Elim. of capital gains and losses on disposals	(4,887)	(932)
Elim. of share of income from associates	3,842	(83)
Financial costs	30,819	11,720
Other income and expenses with no impact on cash flow	44,863	44,321
Gross cash flow operations (A)	**(8,067)**	**27,214**
Change in operating working capital requirements (B)	(129,193)	2,639
Taxes on companies written off	(8,715)	240
Cash flow related to discontinued activities	(1,751)	-
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**(147,725)**	**30,093**
Acquisitions of fixed assets	(46,404)	(48,136)
Acquisitions of financial assets	(16)	(104)
Disposals of fixed assets	3,045	7,006
Change in loans	36,514	(28,913)
Impact of acquisition of subsidiaries net of cash acquired	(64,573)	(66,516)
Cash flow related to discontinued activities	(2,295)	
Adjustment account	0	0
NET CASH FLOW USED BY INVESTING ACTIVITIES (b)	**(73,727)**	**(136,663)**
Dividends paid to minority shareholders	(0)	(29)
Treasury shares	373	8
Capital increase (reduction)	1,589	96,176
New loans and other liabilities	102,304	308,813
Repayments of borrowings and other liabilities	(91,063)	(23,320)
Interests paid	(24,497)	(11,720)
Other financing income and expenses with no impact on cash flow	(0)	(468)
Cash flow related to discontinued activities	(890)	
NET CASH FLOW USED BY INVESTING ACTIVITIES (c)	**(12,184)**	**369,459**
Foreign currency translation adjustments	70	(111)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**(233,567)**	**262,778**
Opening net cash and cash equivalents	325,920	63,142
Cash and cash equivalents at the close of discontinued activities	1,533	
Closing net cash and cash equivalents	90,819	325,920
CHANGE IN CASH AND CASH EQUIVALENTS	**(233,568)**	**262,778**
* Cash appearing in the balance sheet	90,823	326,192
Bank overdrafts	(4)	(278)
Net cash and cash equivalents at closing	***90,819***	***325, 920***

Statement of changes in equity

thousands of euros

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

1. General information

THEOLIA ("the Company") is a limited company [*société anonyme*] with registered office in Aix-en-Provence, France.

The financial period for which the accounts are submitted began on January 1, 2008 and ended on December 31, 2008.

The Company and its subsidiaries ("the Group") are involved in the independent production of renewable electricity, primarily of wind origin, and in the sale of plants to third parties. The Group is also active in the Environmental sector.

The Group operates primarily in Europe.

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

2. Accounting principles

2.1. Statement of conformance

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

The accounting methods applied as of December 31, 2008 are consistent with those of the previous fiscal year.

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

- IFRS 8, "Operating sectors"
- IAS 23 amended, "Borrowing costs"
- IFRS 2 amended, "Conditions for acquiring rights, and cancellations"
- IAS 1 revised, "Presentation of financial statements"
- IFRIC 13 "Customer loyalty program." This interpretation does not affect the Group.

The application of the following regulations, amendments and interpretations, as of fiscal year 2008, have no impact on the Group's consolidated financial statements:

- Amendment to IAS 39 and IFRS 7 relative to the reclassification of financial assets
- IFRIC 11, IFRS 2 – Treasury stock and intra-group transactions

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

- IFRIC 12 "Public service concessions;" the Group has entered into a public service delegation agreement with certain of its subsidiaries. The impact on the presentation of the financial statements is underway.
- IFRIC 15 "Agreements for the construction of a real estate asset; this interpretation does not affect the Group.
- IFRIC 16, "Hedging of a net investment in a foreign activity;" this interpretation does not affect the Group.
- IFRS 3 revised, "Business combinations."
- IAS 27 revised, "Consolidated or individual financial statements"
- IFRS 1 and IAS 27 amendments, "Financial instruments subject to early repayment at fair value and liquidation-related obligations".
- Amendments to IFRS 1 and IAS 27, "Cost of an interest in a subsidiary, a jointly controlled entity, or an associated entity"

Among the texts issued by the IASB and adopted by the European Union, those for which it is possible to assume advance application as of 2008 are the following:

- Amendment of IAS 23 on borrowing costs. The Group already posts borrowing costs in the construction cost of qualified assets.

- IFRS 8 on operating segments. The impact on the presentation of the financial statements is in the process of being determined.

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

Unless noted otherwise, the comparative information is presented as of December 31, 2007.

Unless noted otherwise, the financial statements are presented in thousands of euros, rounded to the next higher thousand euros.

Pursuant to IFRS 3, the N-1 accounts presented for comparison were adjusted following the final allocation of goodwill. This is as a result of the application of IFRS 5 – Non-current assets held for purposes of sale and discontinued operations.

- **Continuity of operation**

The Group notes that the 2009 budget was prepared on a self-financing basis, based on a program already underway to sell wind assets and projects for which the proceeds were already expected in May. The successful outcome of this program is a critical factor in the Company's ability to ensure the continuity of its operations over twelve months.

The principal assumptions applied were specifically associated with:

- The disposal of wind farms and projects in France, Germany and Spain;

- The disposal of non-strategic assets.

The Group currently has reasonable assurance of compliance with this disposal schedule and therefore the corresponding posting dates.

Nevertheless, in the context of a difficult economic environment, if the asset disposal schedule is delayed, the Group would be free to limit its projected investment schedule over 2009. It may carry this out by targeting one or more projects.

The Group has thus assumed that it should prepare its consolidated financial statements in adhering to the principle of an ongoing concern.

- **Correction of error – IAS 8**

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

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

The impact of the adjustment is summarized below.

	Balance sheet effect to 12/31/2007
Correction of goodwill:	- €2,549,000
Correction of current assets (see Note 5):	- €5,711,000
Correction of current liabilities:	- €8,260,000

These corrections have no impact on the income statement.

ii) Moreover, the posting of the convertible bond (OCEANE) issued in October 2007 gave rise to a partially incorrect adjustment, such that shareholders' equity, in the accounts of December 31, 2007, was reduced by €1,129,000, and non-current financial liabilities increased by the same amount.

The impact of the adjustment is summarized below.

	Balance sheet impact 12/31/2007
Correction of shareholders' equity:	+ €1,129,000
Correction of current financial liabilities:	- €1,129,000

These corrections have no impact on the profit and loss statement.

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

- Tangible assets (€9,896,000)
- Non-current financial assets: €6,568,000
- Non-current financial liabilities: (€3,075,000)
- Suppliers: (€752,000)
- Associated enterprises: (€217,000)

This change in consolidation method results in an increase in net income of €181,000 as of December 31, 2007.

2.2. Methods of consolidation

- **Controlled entities**

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

Income from subsidiaries acquired or sold during the fiscal year is included in the consolidated profit and loss statement, respectively, from the date of the taking of control or until the date of loss of control.

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

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

- **Associated enterprises**

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

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

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

- **Business combination**

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

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

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

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

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

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

2.3. Foreign currencies

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

- Presentation of the financial statements

Balance sheet postings of entities located outside the euro zone are converted at the closing exchange rate current in the functional currency and postings of the income statement are converted at the current average exchange rate of the functional currency.

- Foreign currency transactions

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

2.4. Posting of income

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

- **Electricity production**

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

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

- **Purchase of wind farms for resale**

The margin is determined upon disposal of the farm, in proportion to the number of wind turbines sold.

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

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

- **Financial income**

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

- **Dividends**

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

2.5. Intangible fixed assets

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

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

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

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

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

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

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

  - o the project's technical feasibility;

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

Intangible assets generated internally are depreciated in accordance with the straight-line method over their useful life.

Developments of wind farms are considered intangible fixed assets when the Group establishes a program support company to retain development-related rights in order to use them itself.

Until this decision is taken, development costs are treated as inventory and work in progress.

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

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

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

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

2.6. Tangible fixed assets

- **Valuation of tangible assets**

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

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

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

• Construction	20 years
• Machinery and equipment (plants)	15 years
• Machinery and equipment	4-10 years
• Fixtures and facilities	5-10 years
• Office and computer equipment	3-5 years
• Office furniture	5-10 years

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

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

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

2.7. Leasing agreements

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

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

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

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

Assets currently covered by a lease-financing agreement are not significant.

2.8. Impairment

An impairment test is performed:

- once a year, for indefinite-term assets, especially goodwill, non-depreciable intangible assets, and those under construction;
- upon the occurrence of impairment indices for other assets.

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

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

A CGU is a distinct component of the Group that is engaged in providing related products or services and that is exposed to risks and profitability different from those of other CGUs.

The Group's activities are classified into the following categories:

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

Wind farm development and construction is sub-divided into as many CGUs as there are countries involved, particularly France, Germany and Italy; that is because of the change in the scope of consolidation. Previously, Development and Construction constituted a single CGU.

This redefinition has no impact on the comparative financial statements, because no depreciation would have been posted at end-2007.

Wind energy production is itself divided into as many CGUs as there are operating farms.

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

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

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

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

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

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

The principal assumptions applied are the following:

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

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

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

This rate was determined based specifically on:

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

This rate is increased by a supplementary risk premium for the following activities:

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

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

2.9. Inventory and work in progress

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

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

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

Wind farm developments are considered intangible fixed assets when the group establishes a program support company to retain development rights in order to exploit them itself.

Until this decision is taken, development costs are treated under inventory and work in progress.

2.10. Financial assets and liabilities

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

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

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

- that the Group envisions repaying in advance;
- as applicable, that are due by reason of breach of covenants.

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

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

These assets are posted at acquisition cost, and are valued at each accounting closure at fair value. This change in fair value is posted under income in the category "Other financial incomes and expenses."

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

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

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

- **Financial assets held to maturity**

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

- **Financial loans and receivables**

Financial loans and receivables are valued at amortized cost less any depreciation. Interest valued at the effective interest rate is posted under income in the category "Other income and financial expenses."

- **Financial assets available for sale**

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

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

- **Financial debt and operating debt**

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

- **Derivative financial instruments**

    - **Type**

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

    - **Valuation and posting**

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

    - **Derivative financial instruments qualified for hedging**

As of December 31, 2008 derivative instruments contracted by the Group were not considered as hedging instruments for accounting purposes.

2.11. Trade receivables and other debtors

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

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

2.12. Cash and cash equivalents

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

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

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

2.13. Share capital

Common stock is classified as an equity instrument.

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

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

THEOLIA is not required to meet capital adequacy ratios.

2.14. Stock warrants and bonus shares

- **Stock warrants**

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

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

- **Bonus shares**

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

- **Accounting**

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

  - under personnel expenses,
  - or under operating income and expenditure.

2.15. Personnel benefits

- **Types of system**

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

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

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

- **Type of commitments**
  - **Severance payments**

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

  - **Additional retirement plans**

No plan supplementary to the legal minimum employee pension has been approved by the Group for its employees or managers.

- **Valuation of commitments**

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

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

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

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

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

2.16. Other provisions

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

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

Within the framework of a restructuring, a provision may not be established if the restructuring was subject to an announcement and a detailed plan or a start of execution at the close of the period.

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

No dismantling costs are subject to provision, as the Group believes that to date, these costs are not significant, and remain at a level below or equal to the amount that would be incurred by disassembly.

Under current conditions, a zero cost is therefore associated with the dismantling of installed wind farms.

2.17. Borrowings

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

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

Borrowings are broken down into:

- current liabilities for the portion to be reimbursed within twelve months after the close,
- and non-current liabilities for payments due after twelve months.

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

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

2.18. Trade payables and other creditors

Trade and other debts are posted at historic cost.

2.19. 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 determined by using the variable carry-forward method, for temporary differences existing at the close between the tax base of the assets and liabilities and their book value, as well as tax deficits. No deferred liability tax is determined for the initial 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 entity by entity. They are offset when taxes are withheld by the same tax authority and they correspond to the same tax entity (tax consolidation group).

Deferred tax payable is posted as 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.

2.20. 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 that are unusual or non-recurring, i.e.:

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

2.21. Earnings per share

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

2.22. Sector information

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

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

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

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

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

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

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

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

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

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

3. Judgments and estimates

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

The key assumptions are the following:

- Likelihood of success and commissioning of the various wind projects;
- Adjustment assumptions applied in the various valuation models applied;

- o Financing assumptions for various 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 taxes.

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

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

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

Without calling the above into question, estimates were prepared in a 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 now deemed reasonable, may not be excluded.

3.1. Tangible and intangible fixed assets

The Group has resorted to estimates and must use certain assumptions aimed at (i) assessing the expected use life of the assets in order to determine their depreciation period, and (ii) determining any depreciation applied to the balance sheet value of any fixed asset.

Estimates used to determine the expected useful life of fixed assets are applied by all Group entities.

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

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

- determination of the discount rates needed for the restating of future cash flows generated by the assets or the cash creating units; the consequences of a change in the discount rate are presented in Note 11.
- determination of future operating cash flows, as well as their ending value;
- the estimated increase in sales generated by the tested assets; and
- the estimated operating margin linked to these assets for the future periods in question.

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

This year, these estimates cover all tangible and intangible assets, given the context that has led to performing impairment tests on these assets.

3.2. Deferred taxes

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

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

- losses associated with the occurrence of extraordinary circumstances that will not recur in the near future, and/or
- the prospect of extraordinary gains, and
- expected future income from long-term agreements.

4. Management of financial instrument risk

4.1. Credit risk

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

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

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

4.2. Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations in a timely manner or under normal conditions. The Group's Finance Division is responsible for cash, financing and maturities management. The Group manages liquidity risk on a consolidated basis with a view to its operational needs. Management manages the Group's net cash based on projections, taking into consideration anticipated cash flows. The Group's cash and cash equivalents are held in first-tier regulated financial establishments.

As of the end of 2008, the Group had consumed the entire convertible loan issued at end-2007. The change in market conditions renders financing by capital increase, conversion of stock warrants and recourse to borrowing very uncertain.

Within this context, the Group has resolved to dispose of non-strategic assets. Thus, assets outside the Group's core business (Non-Wind businesses) have been sold, or are in the process of being sold. The Group has also resolved to sell certain assets and wind projects to strengthen its cash position and in accordance with the strategy implemented by the new General Management and approved by the Board of Directors.

Thus, the Group has:

- undertaken the sale of the entire Group share of Thernergo, the proceeds of which had not yet been received as of the date the financial statements were prepared,
- undertaken the process of selling other non-wind assets,
- signed a protocol for the sale of a 55.5-MW wind farm for €81 million on November 12, 2008 over a period of six months; on the date the financial statements were prepared, financing negotiations were underway,
- put up for sale over 200 MW of projects in France, Germany and Spain.

The Group is continuing to concentrate on projected sales and cost management. It has thus resolved to restore its liquidity.

Moreover, regulatory constraints existing in Morocco linked to the Office of Foreign Exchange make it difficult to recover advances made to the Group's Moroccan subsidiaries.

4.3. Exchange rate risk

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

4.4. Interest rate risk

The financing of wind projects commissioned by the Group implies significant recourse to debt (65% to 90%), at both fixed and variable rates. A significant increase in interest rates could have an impact on the profitability of future Group projects and/or the development of its wind portfolio.

To limit this risk, for current loan agreements, the Group is implementing a policy of hedging rate risks through foreign exchange contracts under interest conditions (rate swaps). From an economic standpoint, applying these rate swaps allows it to convert variable-rate borrowings to fixed-rate borrowings and to guard against an increase in variable rates to be paid in the context of loan agreements.

Wind farms in operation benefit from long-term fixed rates. In general, banking establishments require 80% to 100% hedging of the amount of financing, for the entire duration.

The Group does not apply hedge accounting. Changes in the fair value of derivative instruments are thus posted to income for the period.

In the event of a positive change of 1% in interest rates, the financial expense associated with non-hedged borrowings would increase by €1,305,000 and be distributed as follows:

- France borrowings + €143,000
- Germany borrowings + €1,162,000

A significant increase in interest rates might have a significant unfavorable effect on the Group's activity, financial situation, and income, or on its capacity to meet its objectives.

5. Significant events during the period

Changes in Group Management

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

Change of strategy

On September 3, 2008, the previous Group Management, seeking to fully benefit from the appreciation in electricity purchase tariffs in Germany, announced its decision to concentrate on electricity production while keeping for itself the maximum number of developed wind farms. This implied limiting to the greatest extent possible, if not outright suspending, the sale of wind farms to third parties at year-end.

However, given the lack of secured financing to implement this strategy at the time of this announcement, as well as the ongoing financial crisis, which prevented development of the necessary financing within the appropriate periods, the new Group Management decided to revive sales of wind farms to third parties. Given the sales cycle, which may extend over several months, sales of wind farms should resume in 2009.

No wind farms were sold during 2008.

Cash flow difficulties

Since mid-2008, the Group has experienced significant tensions in its cash flow, as a result of an ambitious external growth strategy, the total suspension of sales of wind farms in Germany, and the financial crisis.

To remedy this, the new Group Management and Board of Directors have decided:

- to put up for sale operating assets and wind projects in France and Germany,
- to place up for sale companies in the Group's environmental division (Seres Environnement, Ecoval 30 and Néméau) and peaking units (CS2M, SAPE and SAEE), which are non-strategic activities (see Note 18),
- to implement a cost-reduction plan for the entire Group.

Within this context, THEOLIA SA has undertaken a restructuring plan specifically resulting in a headcount reduction. The staff at headquarters has been reduced by nearly half in the past six months.

Further, on November 12, 2008, the Group signed a protocol for the sale of a 55.5-MW wind farm in Germany for a total of 81 million euros. This wind farm, which has been in operation since 2006, includes 37 turbines of 1.5 MW each. The protocol is valid for 6 months. On the date the financial statements were prepared, the sale had not yet been completed.

Finally, within the context of its announced program to dispose of its non-wind assets, on December 24, 2008, the Group announced the sale of its entire holding of Thenergo for a total of 15 million euros. The Group retains an option to purchase these shares, if it desires, at an agreed-upon price of 110% of the sale price over 12 months and 120% of this same price over 12 additional months. On the date of preparation of the financial statements by the Board of Directors, the corresponding receivable had not yet been posted. THEOLIA filed an appeal under arbitration to collect on this receivable. The Group elected to write off the entire receivable in its 2008 financial statements.

The suitability and conditions of the above-mentioned disposals plan were the subject of an in-depth analysis by the new Group Management and were approved by the Board of Directors.

- **Impairment test**

The economic and financial crisis that developed in the second half of 2008, the difficulties encountered during the same period, and the extremely sharp deterioration in stock-market capitalization, considered as an indicator that would justify performing impairment tests, have caused the group to undertake impairment tests of all its assets. In a market that has become practically stagnant and an economic environment in crisis, with market value having no relevant application, impairment tests have been applied based on utility value.

Pursuant to IAS 36, these tests resulted in the finding of an impairment of 105.6 million euros, which was posted to operating income (See Notes 11 and 30).

- **Cancellation of 2007 sales**

During the fiscal year, sales of a wind farm and a solar farm in Germany were cancelled because of payment failure by the buyers. They had been posted in the previous fiscal year. This cancellation resulted in the posting of negative sales of €31,400,000 and a margin loss of €3,675,000.

These projects were posted to inventory pending a resale.

- **Acquisition of CED**

On January 4, 2008 THEOLIA finalized its acquisition of Compagnie Eolienne de Détroit, the majority interest of which was held by EDF International. This acquisition, totaling €45 million, applied to 100% of the CED stock and was financed entirely by shareholders' equity.
Located at Tétouan, CED holds a right of concessionover a wind farm installed in the Kingdom of Morocco. It includes 84 wind units with total installed power of 50.4 MW, producing some 190 MWh per year. A team of 10 individuals has managed this farm since its commissioning in 2000. The value of this concession was posted to intangible fixed assets and depreciated in accordance with the useful life of the agreement.

We note that the ONE (Morocco's National Electricity Office), in the energy supply and purchase agreement signed with the CED, holds an option to purchase CED after 2010 if economic circumstances so warrant.

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

- **Purchase of minority interests**

The Group has undertaken the purchase of shares of the company TEM (THEOLIA Emerging Markets) held by Jean-Marie Santander. This transaction was executed at the par value of the shares. As of the date of closing, the Group was not yet the owner of the shares. The deal was completed in early 2009. The Group now holds virtually all the shares of this company.

6. Events subsequent to closing

- **Change of scope of consolidation**

Increase in the ownership interest in Theolia Emerging Markets

THEOLIA SA undertook the purchase of shares of Theolia Emerging Markets held by Jean-Marie Santander. This transaction was executed at the par value of the shares.

The agreement signed at the end of the year was subject to contingent conditions, solely in favor of THEOLIA, which had not been lifted at the close.

These conditions have been lifted, and since January 14, 2009, the Group has held 95.24% of the shares of Theolia Emerging Markets, compared to 47.62% previously.

Closure of subsidiaries

In a letter dated January 29, 2009, Management presented the principal outlines of the Group's strategy. Specifically, it explained that after an exhaustive review of its geographic position, THEOLIA would concentrate on three major markets: Italy, France and Germany. In Germany, the Group is pursuing negotiations with FC Holding, its favored partner for executing sales of wind farms.

In view of their major growth potential, the Group has identified India and Brazil as key potential future markets; however, the Group will confirm its commitment in these countries by the end of the year. In Morocco, THEOLIA is currently in the process of renegotiating its relations with its local partner.

Finally, the Group announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia.

- **Changes to the Board of Directors**

On January 29, 2009, the Group announced the resignation of Mr. Philippe Perret from his duties as director. Mr. Philippe Perret was Executive Vice President of Finance of THEOLIA until October 13, 2008.

On February 13, 2009, the Group announced the resignation of Mr. Arne Lorenzen from his duties as director. This resignation occurred in accordance with the Company's recent decision to no longer have a member of the Management team on its Board of Directors. Mr. Arne Lorenzen, Executive Vice President of Operations at THEOLIA, retains his operational duties.

- **Appointment of Mr. Marc van't Noordende as permanent Chief Executive Officer of THEOLIA**

Starting April 2009, the Board of Directors resolved to renew the term of office of THEOLIA Chief Executive Officer Mr. Marc van't Noordende indefinitely, after a period of six months as interim Chief Executive Officer.

7. Change of scope of consolidation

On December 31, 2008, the scope of consolidation, other than the parent company, included:

- o 129 companies over which it held exclusive control, either directly or indirectly (in contrast to 112 on December 31, 2007).
- o 8 companies in which it exercised significant influence (in contrast to 3 on December 31, 2007).

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

8. Business combinations

Previously acquired assets and liabilities

- **Wind farms acquired from General Electric "GE"**

€ thousands	Wind farms (GE)	Goodwill	Goodwill Adjustment	Price adjust-ments	Goodwill allocation	GE wind farms (GW allocated)
Acquisition date	*7/02/2007*					
Goodwill		32,147	5,661		(21,910)	15,898
Intangible assets	4,590				28,700	33,290
Tangible assets	178,079					178,079
Non-current financial assets	376					376
Deferred tax assets	-					-
Inventory	-					-
Clients	2,014					2,014
Other current assets	58,107		(5,711)			52,396
Cash and cash equivalents	10,922					10,922
Non-current financial liabilities	173,744				(2,600)	171,144
Other non-current liabilities	-					-
Current financial liabilities	17,375					17,375
Provisions	-					-
Trade payables and other creditors	3,037					3,037
Tax and social security liabilities	3,264					3,264
Deferred tax liabilities	1,140				9,390	10,530
Total net acquired assets	**55,528**	**32,147**	**(50)**	**-**	**-**	**87,625**
Securities purchase price	87,675			(50)		87,625
Acquisition costs	-					-
Total cost of acquisition	**87,675**	**-**	**-**	**(50)**	**-**	**87,625**

Net goodwill	**32,147**	**5,661**	**(50)**	**(21,910)**	**15,848**

The posting of the acquisition of the GE wind farms gave rise to a provisional allocation in the accounts to December 31, 2007.

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

- Electricity sale rights: €28,700,000
- Fair value of non-current liabilities: €(2,600,000)
- Corresponding deferred taxes: €9,390,000

The performance of impairment tests at the close of the fiscal year resulted in the depreciation of these electricity sale rights, in the amount of (€5,323,000).

- **Biocarb (bio-fuels manufacturing)**

The goodwill posted as of December 31, 2007, totaling €1,354,000, was increased by €13,000 during the fiscal year.

The goodwill of €1,367,000 is considered as permanent and was depreciated in its entirety at the close of the fiscal year by reason of the impairment indices identified.

- **Maestrale Green Energy (developer of wind farms in Italy)**

€ thousands	Maestrale Group	Goodwill	Price adjust-ments (1)	Maestrale Group (GW allocated)
Acquisition date	*11/22/2007*			
Goodwill		5,831	23,078	28,909
Intangible assets	2,498			2,498
Tangible assets	2,222			2,222
Non-current financial assets	3,615			3,615
Deferred tax assets	5			5
Inventory	583			583
Clients	163			163
Other current assets	1,857			1,857
Cash and cash equivalents	538			538
Non-current financial liabilities	6,673			6,673
Other non-current liabilities	1			1
Current financial liabilities	487			487
Provisions	29			29
Trade payables and other creditors	3,342			3,342
Tax and social security liabilities	19			19
Deferred tax liabilities	0			
Total net acquired assets	**931**	**5,831**	**23,078**	**29,840**
Securities purchase price	5,560		23,078	28,638
Acquisition costs	1,202			1,202
Total cost of acquisition	**6,761**	**-**	**23,078**	**29,839**
Net goodwill	**5,831**		**18,703**	**24,534**
(1) surcharge				

The goodwill posted December 31, 2007, totaling €5,831,000, was increased by €23,078,000 during the course of the fiscal year and corresponds to price increases related to the awarding of building permits for the Giunchetto, Guigianello and Pergola projects, as well as the likely outcome of the litigation involving the Martignano project.

The agreement to acquire the Maestrale Group provides for surcharges to be paid within the context of obtaining permits to build the first 100 MW. They are calculated in such a way that the value of each MW developed totals €500,000. In practice, the total surcharge will be €500,000/MW less development costs already billed by the developer.

Thus, the additional goodwill calculated remains allocated to Maestrale Green Energy and corresponds to Maestrale's capacity to develop and sell wind farms and to the future earnings deriving from these activities.

- **Main assets and liabilities acquired during the fiscal year**

The net book value of the assets and liabilities acquired during the course of the fiscal year is the following:

€ thousands	**Compagnie éolienne du Détroit**	**Centrale éolienne de Bel Air**	**Centrale éolienne du Plateau**	**Other acquisitions**	**Other acquisitions**	**Other acquisitions**
Acquisition date	***1/4/2008***	***1/31/2008***	***1/31/2008***	***France***	***Italy***	***Germany***
Goodwill						
Other intangible assets	31,084	-	-	3,000	1,964	-
Tangible assets	118	9,371	9,125	941	42	-
Holdings of associated companies	-	-	-	-	-	-
Other non-current financial assets	21	-	-	-	-	-
Deferred tax assets	- 0	25	17	2	0	3
Inventory and in-progress	615	-	-	-	-	11
Clients	1,964	282	256	-	-	2
Other current assets	618	39	46	193	151	400
Income tax credit	-	-	-	-	-	-
Current financial assets share	-	-	-	-	-	-
Cash and cash equivalents	2,559	404	495	25	1	7
Non-current financial liabilities	1,009	6,806	6,803	6	-	-
Non-current provisions share	-	-	-	-	-	-
Personnel benefits	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	461	-
Other non-current liabilities	-	-	-	-	-	-
Current financial liabilities	5,124	3,750	3,103	3,484	-	172
Current provisions share	36	-	-	-	-	-
Trade payables and other current liabilities	350	85	401	692	220	253
Tax and social security liabilities	461	66	73	-	-	1
Tax debt on companies	-	-	-	-	-	-
Total net acquired assets	**29,998**	**- 586**	**- 441**	**- 21**	**1,478**	**- 5**
				-	-	-
Securities purchase price	44,236	760	760	4	1,478	2
Costs of acquisition	1,148	37	38	-	-	-
Total cost of acquisition	**45,384**	**797**	**798**	**4**	**1,478**	**2**
Goodwill	**15,386**	**1,383**	**1,239**	**25**	**0**	**7**

Other acquisitions correspond to the following companies:

— France: SNC Ardèche, Charmois, Chermisey and Beaudignecourt

— Italy: Belmonte, Avalon and Mendicino

— Germany: WP Stolzenhain and Schenkendoebem

The intangible assets of CED were valued according to the discounted future cash flows method. This calculation did not result in a revaluation of intangible assets. The goodwill resulting from the acquisition of CED, i.e., €15,386,000, is therefore permanent and was subject to depreciation totaling (€14,950,000) (See Note 9).

The intangible assets of Bel Air and Plateau were valued according to the discounted future cash flows method. This calculation did not result in a revaluation of intangible assets. The goodwill resulting from the acquisition of these companies, i.e., €2,622,000, is therefore permanent and was subject to depreciation totaling (€2,499,000) (See Note 11).

Acquisitions made in Italy correspond to the companies Belmote, Mendicino and Avalon. The price paid corresponds to the value of the progress achieved on projects carried out by these companies. The goodwill calculated was thus allocated to intangible fixed assets.

The aggregates of the principal entities acquired are as follows (by complete year):

€ thousands	Compagnie éolienne du Détroit	Centrale éolienne de Bel Air	Centrale éolienne du Plateau
Sales	6,352	1,034	990
Net income	(592)	(396)	(430)

If these acquisitions had been realized on the first day of the year, the Group's consolidated revenue would have been €70,251,000, i.e., an increase of €295,000, and net income would have been (€244,181,000), i.e., an increase from the loss of €83,000.

9. Goodwill

• Analysis of item

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

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

- **Allocation of goodwill per Cash-Generating Unit [CGU]**

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

The wind energy production activity consists of as many CGUs as there are wind farms in operation.

10. Intangible and tangible assets

- **Intangible assets**

The gross value of wind projects in progress rose by €9,824,000, which may be explained by external growth, progress on projects developed internally, and allocations of goodwill.

Acquisitions and fixed assets generated internally carried out during the course of the year, i.e., €4,637,000, primarily correspond to progress on wind projects in progress in France, totaling €1,830,000, and in Italy, totaling €2,790,000.

Company grouping activities, totaling €4,964,000, correspond to the acquisition of two projects in France (Chermisey and Beaudignecourt) totaling €3,000,000, as well as three projects in Italy (Belmonte, Mendicino and Avalon) totaling €1,965,000.

Depreciation for impairment of projects in progress corresponds primarily to the following:

- The wind project located at Almeria (PESSA) totaling (€8,700,000), due to a recoverable value of €2,800,000;
- Certain projects located in France totaling (€953,000) due to existing risks.

The gross value of development costs declined by (€11,197,000), which may be primarily explained by the classification under IFRS 5, "discontinued activities," of the assets of Ecoval 30 and Seres Environnement. Since these activities were discontinued, the gross value of fixed assets at the close of the year was reclassified on a specific line of the balance sheet for (€7,356,000).

The balance of the posting corresponds to reclassifications from one account to another executed for certain wind farms in Germany.

Depreciation for impairment, i.e. (€7,311,000), primarily corresponds to Ecoval 30 and is to be reconciled with the reclassification into discontinued activities.

The gross value of other intangible fixed assets in progress increased by €57,417,000 due to the grouping of companies and reclassifications carried out on certain wind farms in Germany.

During the fiscal year, the Group undertook the acquisition of the concession agreement for Centrale Éolienne du Détroit (CED), with a net total of €31,084,000.

The final allocations of the acquisition prices that had been made on a provisional basis were applied to the "Gross amounts at opening" line, and corresponded to wind farms acquired from GE (see Note 2.1).

- **Tangible fixed assets**

	Land	Buildings and im-provements	Projects in progress	Technical facilities (1)	Fixed assets under concession	Other tangible fixed assets	TOTAL
Gross values at the opening of the period on 1/1/2008	**5,522**	**1,472**	**13,817**	**315,193**	**10,990**	**5,819**	**352,813**
Acquisitions	37	617	27,015	6,543	328	1,028	**35,568**
Fixed assets generated internally							**-**
Industrial commissioning	-	-	(10,463)	10,463	-	-	**-**
Groupings of companies	-	830	941	19,241	-	24	**21,036**
Sales	-	-	(174)	(1)	(5)	(196)	**(376)**
Conversion gain/ loss	-	49	(109)	4	-	(23)	**(79)**
Other changes	1,227	474	(4)	39,844	-	(2,522)	**39,019**
Reclassification of dis-continued activities	(49)	-	(926)	(2,937)	(11,313)	(579)	**(15,804)**
Gross values at clos-ing on 12/31/2008	**6,737**	**3,442**	**30,097**	**388,350**	**-**	**3,551**	**432,177**
Cumulative deprecia-tion and amortization at the opening on 1/1/2008	**-**	**(337)**	**(266)**	**(14,821)**	**(770)**	**(1,379)**	**(17,573)**
Amortization	-	(374)	-	(20,864)	(558)	(632)	**(22,428)**
Depreciation for impair-ment	-	(812)	(3,847)	(9,489)	(3,850)	(140)	**(18,138)**
Business combinations	-	(96)	-	(1,340)	-	-	**(1,436)**
Reversals on disposals	-	-	-	-	1	108	**109**
Conversion gain/ loss	-	(7)	-	(2)	-	5	**(4)**
Other changes	(1,220)	(38)	181	(37,268)	-	(261)	**(38,605)**
Reclassification of dis-continued activities	-	-	85	1,908	5,177	405	**7,576**
Cumulative deprecia-tion and amortization at closing on 12/31/2008	**(1,220)**	**(1,664)**	**(3,847)**	**(81,876)**	**-**	**(1,894)**	**(90,499)**
Net opening values on 1/1/2008	**5,522**	**1,135**	**13,551**	**300,372**	**10,220**	**4,440**	**335,240**
Net closing values on 12/31/2008	**5,517**	**1,778**	**26,250**	**306,474**	**-**	**1,657**	**341,678**

(1) The majority of the item includes operating wind farms

The principal changes under tangible fixed assets correspond to projects under construction as well as technical facilities (wind farms).

The gross value of projects under construction increased by €16,280,000 due to progress on the Grand Camp and Plateau de Ronchois (France) wind projects, totaling €5,652,000, as well as progress on the Guinchetto and Martignano projects, totaling €10,403,000.

Given the recoverable value of the Almeria project in Spain (PESSA), depreciation due to impairment totaling (€2,593,000) was posted during the year.

Technical facilities increased by €73,157,000. This change is related to the following transactions:

- Acquisition of wind farms (Germany) €4,140,000

- Acquisition of a delivery station (Germany) €2,100,000
- Commissioning of the Sallen wind farm €10,463,000
- Acquisition of the Bel Air and Plateau wind farms €19,158,000
- Breakdown of posted amounts between gross and net €37,021,000

The impact of the reclassification of assets on the "discontinued activities" line of the balance sheet primarily covers fixed assets subject to concession held by Ecoval 30.

11. Impairment on goodwill, intangible and tangible fixed assets

- **Methodology used for impairment tests**

The severe economic and financial crisis that developed over the second half of 2008, as well as the difficulties experienced by the Group during the same period and the sharp deterioration in its stock market capitalization, were considered by the Group as being tantamount to depreciation indices of such a kind as to require that impairment tests be performed on all goodwill and other tangible and intangible fixed assets.

None of these indices existed at the time of the preceding close.

Given the economic situation at end-2008 and the low number of deals, as well as the pricing situation during the second half of 2008, it is no longer possible to calculate the recoverable value of the assets based on market prices. Thus, this value was determined based solely on discounted cash flow (DCF). It has been possible to confirm DCF, as needed, through sales negotiations in progress.

The tests were carried out in November 2008, and updated based on book assets as of December 31, 2008.

- **Comments on posted depreciation**

(1) Development and Construction business (CVW)

The assets of Natenco GmbH were treated separately from the CGU CVW to which this entity belongs, given the current operations that would ultimately result in a loss of control. Based on a DCF consistent with current operations, depreciation of €44,606,000 was posted that was not offset by other assets of this CGU.

The Spanish assets (intangible and tangible) carried by PESSA (wind farm under construction) were depreciated based on a net sale price of €4 million estimated by Group Management in accordance with current negotiations. This resulted in depreciation of €1,645,000.

(2) Germany electricity sales business

Completion of the deal in 2007 involving the contribution of GE's wind farms resulted in the posting of initial goodwill of €88,637,000, revised to €72,388,000 after final allocation. This amount had been depreciated by €56,490,000 at the close of 2007.

The downgrading of the business assumptions resulted in a reduction in the corresponding discounted cash flow, yielding additional depreciation affecting:

- The GE farms totaling: €21,854,000 (of which €12,206,000 on goodwill)
- The other farms totaling: €5,514,000 (primarily affecting tangible assets)

For total depreciation of: €27,379,000

(3) France electricity sales business

Two farms located in France (Bel Air and Plateau) yielded depreciation of €2,518,000, attributable to:

- goodwill: €2,499,000
- tangible assets: €19,000

(4) Morocco electricity sales business

The calculations made in accordance with the discounted future cash flows method based on confirmed and projected operating data resulted in depreciation of €14,950,000, attributable entirely to goodwill.

(5) Non-Wind business

Depreciation was posted on goodwill and the following assets:

- Biocarb: €1,777,000
- Theolia Première Nation (Canada): €831,000
- Ecoval Technology (construction of water treatment units): €109,000
- Windream One: €502,000

For total depreciation of €3,219,000 for the Non-Wind business.

This depreciation was allocated to goodwill.

- **Sensitivity analysis**

A 1% change in the discount rate affects the results of impairment tests as follows:

	Depreciation at + 1%	Depreciation applied	Depreciation at - 1%
Development and construction of wind parks in Germany	(49,316)	**(44, 606)**	(38,351)
Development and construction of wind farms in Italy	(15,268)	**-**	-
Wind energy production business	(59,870)	**(44,846)**	(31,133)
TOTAL	(124,455)	**(89,452)**	(69 484)

The impact on income of the posted depreciation is broken down in Note 30.

12. Associated enterprises

On December 31, 2008, the income of the entities for which accounts were prepared in accordance with the equity method was as follows:

€ thousands	% of control	Share in the net financial position of the associates	Share in profits of the associates
Erneuerbare Energie Ernte Vier Gmbh	48.00%	(110)	(110)
Naturstromez	48.00%	-	-
Ecolution	35.29%	24,772	(232)
Theolia India Wind Power	50.00%	646	(140)
Theolia Sitac Wind Power	50.00%	0	(0)
Asset Electrica	50.00%	(3,579)	(3,360)
Total at closing on 12/31/2008		**21,729**	**(3,842)**

In 2008, the posting changed as follows:

	Ecolu-tions	Thenergo	Asset Electri-ca	EEEV	Theolia Wind Power (of which: hold-ings)	Total
Value of shares at close of previous period (published amount)	25,346	37,931	-	(1)		63,276
Change in consolidation method of Asset Electrica			(216)			(216)
Value of shares at opening of period	**25,346**	**37,931**	**(216)**	**(1)**	**-**	**63,060**
Allocation of goodwill						-
Sale of shares		(37,931)				(37,931)
Change in consolidation method of Theo-lia Wind Power					916	916
Taking of share						-
Capital increase						-
Group share of earnings for the period	(232)		(3,360)	(109)	(140)	(3,842)
Share-based payments						-
Other changes	(342)		(3)		(130)	(475)
Value of shares at close of period	**24,772**	**-**	**(3,579)**	**(110)**	**646**	**21,729**

The principal financial data for associated enterprises was the following:

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

Income for Asset Electrica primarily corresponds to depreciation posted on assets held, i.e., €8,723,000 (holding 100%), based on the recoverable value estimated by Group Management.

The value of the Ecolutions goodwill is based on the business plans presented by company management and the future benefits that will result from growth in its activities.

13. Financial assets

12/31/2008	Note	Financial assets available for sale	Loans and receivables	Assets at fair value by income			Total Balance Sheet
				Marketable securities	Hedging derivatives	Derivatives excluding hedges	
Non-current financial assets							
Non-consolidated shares		2,909					2,909
Other non-current financial assets			7,184				7,184
Security deposits and bonds			364				364
Total non-current financial assets		**2,909**	**7,548**	**0**	**0**	**0**	**10,458**
Current financial assets							
Trade receivables	15		24,885				24,885
Loans			243				243
Security deposits and bonds			53				53
Marketable securities and other current financial assets	17			24,874			24,874
Cash and cash equivalents	17		65,949				65,949
Total current financial assets		**0**	**91,130**	**24,874**	**0**	**0**	**116,004**
Total		**2,909**	**98,678**	**24,874**	**0**	**0**	**126,462**

12/31/2007	Note	Financial assets available for sale	Loans and receivables	Assets at fair value by income			Total Balance Sheet
				Marketable securities	Hedging derivatives	Derivatives excluding hedges	
Non-current financial assets							
Non-consolidated shares		1,025					1,025
Other non-current financial assets			49,570				49,570
Total non-current financial assets		**1,025**	**49,570**	**0**	**0**	**0**	**50,595**
Current financial assets							
Trade receivables	15		87,385				87,385
Current derivative instruments						1,128	1,128
Cash and cash equivalents	17		326,197				326,197
Total current financial assets		**0**	**413,582**	**0**	**0**	**1,128**	**414,710**
Total		**1,025**	**463,152**	**0**	**0**	**1,128**	**465,305**

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

12/31/2008	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
Non-consolidated shares	-	-	2,909	2,909
Other financial assets				
Receivables from subsidiaries	243	15	1,987	2,245
Other long-term receivables	-	-	5,182	5,182
Security deposits and bonds	53	209	155	417
Financial assets	**296**	**224**	**10,233**	**10,753**

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

12/31/2007	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
Non-consolidated shares	-		1,026	1,026
Other financial assets	-			-
Receivables from subsidiaries	69	6,566		6,635
Loans	13			13
Other long-term receivables	37,897	3,719		41,616
Security deposits and bonds	-		280	280
Sundry long-term financial assets	-		1,025	1,025
Derivative products	1,127			1,127
Financial assets	**39,106**	**10,285**	**2,331**	**51,722**

- **Analysis**

Non-current financial assets comprise loans granted to clients of Natenco Gmbh within the context of the wind farm sales business. At the close of the period, the net value of these loans totaled €5,182,000, compared to €41,616,000 at the previous close. This sharp decrease may be explained by two factors: absence of new loans awarded, and cancellation of the sales of the Weimar and Merzig wind farms.

Current financial assets comprise the current portion of the loans granted to clients of Natenco, as well as derivative income from the hedging of the bank borrowings. During the year, these derivatives had a negative variance, which resulted in a posting of their fair value to liabilities on the Group's balance sheet.

Receivables from holdings primarily correspond to advances made to Theolia Wind Power India, totaling €1,997,000.

Securities available for sale totaled €2,909,000 and primarily represent shares in investment funds, specifically from the assumption of a bank debt.

14. Inventory

	12/31/2008	12/31/2007
Wind projects	137,033	39,766
Other energy projects	12,954	1,635
Raw materials	25,565	1,730
Depreciation	(5,629)	(254)
Net value	**169,923**	**42,877**

Following the decision by previous Management to retain projects on its own account, the sale of wind farms to third parties by Natenco was suspended and the Group posted no further sales of wind farms in fiscal year 2008. Appointed September 29, 2008, the new Group Management decided to reverse this decision and restore the sales of wind farms to third parties, which will be resumed in 2009.

Thus, wind projects acquired during the year by Natenco Gmbh and its subsidiaries, i.e., €82,976,000, were placed in inventory while awaiting their sale during fiscal year 2009. At the close of the year, these totaled €112,997,000. This took into consideration the cancellation of the sale of Weimar, resulting in the project's return to inventory, in the amount of €14,285,000. Given its recoverable value, i.e., €13,000,000, this project was depreciated in the amount of (€1,285,000).

The cancellation of the sale of Merzig, a solar farm, resulted in this project's return to inventory as well, in the amount of €12,900,000.

The inventory of hardware, totaling €24,761,000, corresponds primarily to Natenco Gmbh, which holds spare parts for wind farms.

In the first half of the year, THEOLIA acquired Suzlon turbines for a total of €20,110,000. Because of the decline in their recoverable value, depreciation of (€3,119,000) was posted at the close of the year.

The breakdown of the inventory of wind projects by geographic region is the following (gross value):

- France €22,843,000
- Germany €112,997,000
- Other €1,193,000

15. Trade receivables

- **Change**

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

Trade receivables (gross), i.e., €28,276,000, were distributed as follows:

- Germany: €21,424,000
- France: €4,171,000
- Other countries: €2,681,000

The posted provisions primarily correspond to receivables related to the sale of wind farms. Depreciation to be posted is calculated receivable by receivable, as a function of the tenor and level of risk estimated by management.

- **Schedule 12/31/2008**

12/31/2008	In-progress not due	In-progress due			TOTAL
		0 to 6 months	6 to 12 months	> 12 months	
Trade receivables and related accounts	7,739	5,559	6,869	7,219	**27,386**
Clients at risk	-	-	42	848	**890**
Provision for trade receivables and related accounts	-	(472)	-	(2,919)	**(3,391)**
Total trade receivables and related accounts	**7,739**	**5,087**	**6,911**	**5,148**	**24,885**

Receivables due primarily correspond to transactions executed in Germany.

Total receivables due within 6 months primarily correspond to sales of electricity completed in December 2008.

The total due in over 12 months consists of receivables relating to sales of wind farms by Natenco in 2007, i.e., €4,497,000, as well as fees from managing wind farms on behalf of third parties.

All receivables have been subject to a recovery risk analysis. An analysis for depreciation of receivables was posted for receivables subject to risk.

16. Other current assets

	Gross value 12/31/2008	Depreciation 12/31/2008	Net value 12/31/2008	Net value 12/31/2007
Supplier advances and down payments	24,196	(10,000)	14,196	8,779
Receivables on sales of fixed assets	15,000	(15,000)	-	-
Tax receivables (excluding corporate tax)	32,579		32,579	21,775
Social security receivables	100		100	33
Current accounts	190	-	190	789
Various debtors	3,513	(575)	2,938	15,932
Expenses posted in advance	3,824		3,824	3,891
Unrealized foreign exchange losses	73		73	72
Total	**79,475**	**(25,575)**	**53,900**	**51,271**

Advances and down payments made to reserve turbines totaled €10,826,000 for Germany.

A decline in the cost of turbines for non-Group projects resulted in the posting of credits receivable totaling €2,731,000 from the company Ventura (France).

A down payment of €10,000,000 for turbines was posted within the context of a wind project. Because of the project's abandonment, this advance was covered by provisions for its entire amount at the close.

Receivables relating to the disposal of fixed assets correspond to the Group's sale of its Thenergo shares at year-end, which had not been posted as of the accounts closing date.

THEOLIA has filed an appeal under arbitration to recover all its receivables held against the company Hestiun or to cancel the sale and recover the shares sold. The Company has adopted a conservative approach and elected to depreciate its entire receivable, i.e., a total of (€15,000,000).

Tax receivables consist primarily of the deductible VAT not yet settled, for acquisitions of wind projects or hardware, and specifically:

- Turbines acquired by Theolia SA: € 4,198,000
- Wind projects acquired in Germany (Natenco Gmbh): €15,894,000

17. Cash and cash equivalents

- **Position**

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

- **Breakdown of available/unavailable cash**

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

As of December 31, 2008, available cash totaled €34,223,000, €9,218,000 of which was at THEOLIA SA (holding company for available cash) and €25,005,000 at the subsidiaries. This cash is allocated directly to the production activities of companies with limited opportunity of application to the holding company.

Cash available with restrictions totaled €10,346,000, and corresponds to the subsidiaries only. It may not be consolidated to the Group's parent company because of restrictions related to the bank financing of operating projects.

Blocked cash totaled €46,250,000, €9,929,000 of which was at THEOLIA SA and €20,960,000 at its subsidiaries. For most companies, this cash is used for pledges.

Investment securities totaled €24,874,000, including €15,093,000 for THEOLIA SA, corresponding to completely secured investments broken down as follows:

- 77% for money market funds [*SICAVs*];
- 20% for negotiable medium-term, variable-rate bonds indexed on the EONIA;
- 3% for negotiable certificates of deposit maturing in fewer than three months, with guaranteed principal and rates.

The financial risk management policy is presented in Note 4 of the financial statements.

18. Assets held for sale, and operations discontinued, sold or in the process of sale

Within the context of its reorganization, the Group has decided to undertake a sale of all its assets considered non-strategic: primarily, assets of non-wind activities. This decision was due to a decision by the THEOLIA Board of Directors in November 2008. As of December 31, 2008, the process of disengagement continued, as negotiations are underway.

The assets and liabilities in question, representing a business, are posted to the following companies:

Environment division

- o Seres Environnement
- o Ecoval 30
- o Nemeau
- o Therbio

Peaking units

- o CS2M
- o SAPE
- o SAEE

The sale of these assets was posted to the annual financial statements of December 31, 2008 pursuant to IFRS 5, "Non-current assets held for sale and discontinued activities."

Thus, all transactions for the fiscal year relative to the environment division and the peaking units were consolidated on the income statement line labeled "Net income from operations held for sale." Assets and liabilities were consolidated on a line in assets and liabilities of the balance sheet, "Assets/Liabilities related to discontinued activities."

The asset values were depreciated based on probable sale prices. Depreciation of (€5,696,000) was posted for this purpose.

Since these businesses are being discontinued, the income statement for the year ending December 31, 2007 was adjusted in order to present comparative information prepared in accordance with IFRS 5.

- **Balance sheet information**

€ thousands	THEOLIA Group before IFRS 5 12/31/2008	Adjustments IFRS 5	THEOLIA Group Adjusted IFRS 5 12/31/2008
Acquisition premiums	78,682	(598)	78,084
Intangible assets	94,428	(275)	94,152
Investment assets			
Tangible fixed assets	349,908	(8,229)	341,678
Securities consolidated by the equity method	21,685	44	21,729
Non-current financial assets	10,560	(102)	10,458
Deferred tax assets	9 ,959	(476)	9,483
NON-CURRENT ASSETS	**565,221**	**(9,637)**	**555,584**
Inventory	172,655	(2,732)	169,923

Clients	28,361	(3,477)	24,885
Other current assets	55,746	(1,846)	53,900
Current taxes	3,596	(121)	3,475
Current financial assets	422	(126)	296
Cash and cash equivalents	92,701	(1,878)	90,823
CURRENT ASSETS	**353,481**	**(10,180)**	**343,302**
Assets intended to be sold		19,817	19,817
TOTAL ASSETS	**918,703**		**918,703**
Share capital	39,747		39,747
Premiums	307,695		307,695
Reserves	67,150		67,150
Income	(243 343)		(243,343)
Shareholders' equity – Group share	**171,249**		**171,249**
Minority interests	(1,489)		(1,489)
Shareholders' equity	**169,760**		**169,760**
Non-current financial liabilities	448,419	(5,838)	442,581
Deferred tax liabilities	22,033		22,033
Provision for retirement	499	(438)	61
Provisions (non-current)	4,001	(158)	3,844
Other non-current liabilities	681	(120)	561
Non-current liabilities	**475,633**	**(6,553)**	**469,080**
Current financial liabilities	148,368	(1,703)	146,666
Provisions (current)	16		16
Suppliers and other creditors	106,191	(2,963)	103,228
Tax and social security liabilities	16,254	(1,902)	14,352
Current tax	2,480		2,480
Current liabilities	**273,310**	**(6,568)**	**266,742**
Liabilities related to assets intended to be sold		13,121	13,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**918,703**		**918,703**

- ### Information on the income statement

As of December 31, 2008

€ thousands	THEOLIA Group before IFRS 5 12/31/2008	Adjustments IFRS 5	THEOLIA Group Adjusted IFRS 5 12/31/2008
Total sales	**82,633**	**(12,678)**	**69,956**
Other income from ordinary activity	6,106	(58)	6,049
Income from ordinary activity	88,739	(12,735)	76,004
Purchases and changes in inventory	(29,229)	3,284	(25,945)
Suspended production	588	(588)	
External expenses	(42,676)	6,136	(36,540)
Personnel expenses	(25,977)	5,139	(20,838)
Taxes, duties and similar payments	(1,647)	407	(1,240)
Net amortization and depreciation	(57,003)	657	(56,346)
Other operating income and expenses	(2,068)	(324)	(2,393)
Current operating income	**(69,274)**	**1,975**	**(67,299)**
Loss of value	(121,197)	14,621	(106,577)
Other non-current income and expenses	(22,934)	349	(22,584)
Operating income	**(213,406)**	**16,945**	**(196,460)**
Cost of net debt	(26,988)	363	(26,625)
Other financial income and expenses	(12,780)	324	(12,457)
Financial income	**(39,769)**	**687**	**(39,082)**
Share in net income of subsidiaries	(5,003)	1,160	(3,842)

Taxes	14,079	(2,143)	11,936
Income from ongoing businesses	**(244,099)**	**16,650**	**(227,448)**
Net income from businesses intended to be sold		(16,650)	(16,650)
NET INCOME	**(244,098)**		**(244,098)**
Of which: Group share	(243,342)		(243,342)
Of which: minorities share	(755)		(755)

As of December 31, 2007

€ thousands	THEOLIA Group before IFRS 5 12/31/2008	Adjustments IFRS 5	Adjustments	THEOLIA Group Adjusted IFRS 5 12/31/2008
Total sales	**306,481**	**(18,347)**		**288,134**
Other income from ordinary activity	2,191	(319)		1,873
Income from ordinary activity	308,672	(18,665)		290,007
Purchases and changes in inventory	(230,784)	5,099		(225,685)
Suspended production				
External expenses	(34,746)	5,694	44	(29,008)
Personnel expenses	(23,413)	5,276	5	(18,132)
Taxes, duties and similar payments	(1,139)	152		(986)
Net amortization and depreciation	(18,383)	1,814	4 256	(12,313)
Other operating income and expenses	(3,458)	13		(3,445)
Current operating income	**(3,251)**	**(617)**	**4 305**	**437**
Loss of value	(56,490)		(4 256)	(60,746)
Other non-current income and expenses	21,014	1,777		22,791
Operating income	**(38 726)**	**1 160**	**49**	**(37 518)**
Cost of net debt	(10,086)	571		(9,515)
Other financial income and expenses	2,146	67	314	2,526
Financial income	**(7,941)**	**637**	**314**	**(6,989)**
Share in net income of subsidiaries	589	(492)	(182)	(85)
Taxes	(2,729)	(49)		(2,777)
Income from ongoing businesses	**(48,807)**	**1,257**	**181**	**(47,370)**
Net income from businesses intended to be sold		(1,257)		(1,257)
NET INCOME	**(48,807)**		**181**	**(48,627)**
Of which: Group share	(48,262)			(48,262)
Of which: minorities share	(546)		181	(364)

Adjustments include the impact of the consolidation of the company Asset Electrical in accordance with the equity method, i.e., €181,000 on net income, as well as the reclassification of losses of value on fixed assets from the item “net depreciation and provisions” to “impairment.”

19. Share capital and minority interests

Share capital

- **Number of shares in circulation**

	Par value (€)	Number of shares on 1/1/2008	Shares created by exercise of warrants	Number of shares on 12/31/2008
Number of shares	1	38,681,671	1,065,321	39,746,992
Number of securities	**1**	**38,681,671**	**1,065,321**	**39,746,992**
Share capital		**38,681,671**	**1,065,321**	**39,746,992**
Including 91,579 treasury shares				

As of December 31, 2008, share capital consisted of 39,746,992 shares with par value of €1 each.

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

No dividend has been paid, either before or after the close.

Minority interests

Essentially, minority interests correspond to the rights of a partner bank assisting the Italian Group Maestrale Green Energy in developing a wind farm project in Italy since its creation, specifically by awarding a loan. This partner is also committed in the program support company, up to the amounts paid.

At the close of the year, the share of this shareholder's balance sheet, i.e., (€1,164,000), was less than the loan granted.

20. Share-based payments

- **Summary of stock warrant transactions**

	12/31/2008
Exercisable warrants on December 31, 2007	**4 339 014**
Issued during the period	155 823
Exercised during the period	554 187
Balance on December 31, 2008	**3 940 650**

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

Amounts in euros unless otherwise stated	May 6, 2008	June 28, 2008
Fair value of warrant	€11.36	€3.10
Share price	€22.45	€19.55
Exercise price	€12.95	€14.64
Expected volatility	48.00%	48.00%
Expected dividends	0%	0%
Risk-free rate	4.10%	4.10%

The accrued expense of €1,615,000 for the period corresponds to:

- warrants issued during the period: €1,493,000
- warrants issued previously: €122,000

- **Breakdown of the warrants**

	BSA DA06	BSA EP06	BSA JMSPC06	BSA LF06
Subscription price	0.0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28
Exercise deadline	17-May-12	24-May-12	11-Jun-12	19-May-12
Par	1	1	1	1
Balance	7,000	29,093	64,000	29,093

	BSA SO06	BSA SG06	BSA bis	BSA CS4	BSA CS5
Subscription price	0.0001	0.0001	0.00039	0.000	0.000
Exercise price	15.28	15.28	3.90	4.85	4.85
Exercise deadline	19-May-12	16-May-12	02-May-10	5 years as of subscription	
Par	1	1	1.187	1.187	1.187
Balance	7,000	31,451	300,000	50,000	50,000

	BSA EP07	BSA LF07	BSA SO 07	BSA SG 07	BSA GF
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28	15.28

Exercise deadline	01-Jan-13	01-Jan-13	01-Jan-13	01-Jan-13	28-Jun-09
Par	1	1	1	1	1
Balance	29,093	29,093	29,093	31,451	18,000

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

	BSA EP 08	BSA SO 08	BSA PC 880 M 2008
Subscription price	0.0001	0.0001	0.0001
Exercise price	12.95	12.95	15.64
Exercise deadline	02-Jul-13	02-Jul-13	31-Dec-12
Par	1	1	1
Balance	29,093	29,093	37,093

Pursuant to IFRS 2 on compensation in stock, only plans awarded after November 7, 2002 have been subject to valuation and posting under personnel expenses.

The conditions for the exercise of stock warrants are the following, by category of stock warrant:

BSA CS 4: holding an office within the company as of December 31, 2008

BSA CS 5: holding an office within the company as of December 31, 2009

BSA LF/SG/EP/SO 07: as of the date of a director's office within the company is held

At the close of the year, these conditions are always met.

- **Free shares**

Free shares were granted on the following dates:

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

making a total of 1,012,215 shares

Grants of free shares were evaluated in accordance with the share price on the issue date (€18.69 for the January 8, 2008 issue and €16.61 for the January 30, 2008 issue).

The charge posted for the period, of €8,045,000, corresponds to:

- shares granted in 2007: €969,000
- shares granted in 2008: €7,076,000

The charge remaining to be accounted for in 2009 pursuant to the granting of free shares amounts to €66,000

21. Financial debts and derivative financial instruments

- **Changes in loans and financial debts**

	Loans granted by credit establishments	Convertible bond debt	Finance leasing debt	Bank overdrafts and equi-valents	Other financial liabilities	TOTAL
Values at the beginning of the period on 1/1/2008	**346,261**	**195,953**	**26**	**278**	**73**	**542,591**
Increase	102,818	9,086	-	-	8,225	**120,129**
Repayment	(85,150)	(816)	(19)	68	(7,147)	**(93,064)**
Groupings of companies	19,614	-	-	-	5,928	**25,542**
Conversion gain/ loss	12	-	1	-	16	**29**
Other changes	(6,869)	-	-	(341)	1,230	**(5,980)**
Values at closing on 12/31/2008	**376,686**	**204,223**	**8**	**5**	**8,325**	**589,247**

The change in financial debt, i.e., +€46,656,000, is due primarily to the following transactions:

Increase in borrowings from credit establishments: €102,818,000

- Financing of projects for sale to third parties: €63,980,000
- Financing of wind power stations for own account: €28,140,000
- Subscription of a line of credit by THEOLIA on behalf of CED: €5, 255,000
- Financing of non-wind activities: €3,251,000
- Financing of Natenco GmbH: €1,510,000
- Accrued interest on borrowings €681,000

Reduction in borrowings from credit establishments: (€85,150,000)

- o Financing of projects for sale to third parties: (€34,570,000)
- o Financing of wind power stations for own account: (€34,415,000)
- o Financing of Natenco GmbH: (€6,779,000)
- o Financing of non-wind activities: (€4,250,000)
- o Repayment of the loan subscribed by CED: (€5,137,000)

Change in borrowings from credit establishments following acquisition activities: €19,614,000

- Borrowings for the Bel Air and Plateau wind power stations: €14,490,000
- Borrowings for CED: €5,124,000

Change in borrowings from credit establishments following the reclassification of discontinued operations to liabilities: (€6,869,000)

- o Borrowings for the environment division: (€6,361,000)
- o Borrowings for peaking units (€507,000)

The change in the OCEANE convertible bond, i.e., €8,270,000, corresponds to the payment of interest in 2007, i.e., (€816,000), and to the posting of additional interest due to the hybrid nature of the borrowing (existence of a debt component and shareholders' equity) for application of the effective interest rate (EIR).

Increase in other financial liabilities: €8,225,000

- Negative fair value of derivative hedge instruments (SSP France borrowings): €7,821,000
- Financing of Natenco GmbH: €174,000
- Other €230,000

The increase in other financial liabilities following company grouping activities, i.e., €5,928,000, corresponds to current accounts of shareholders. The latter were reimbursed over the period for the same amount.

- **Covenants**

Borrowings assumed in order to finance the construction of wind farms (France) originate from an obligation to comply with a ratio such as activity cash flow / borrowing maturity. At the close of the year, the Group had met its obligations in this regard.

The issuing document for the OCEANE bonds specifically anticipates as follows:

- Continuing control of the Group by the parent company;
- That the Company's shares remain listed on the Euronext Eurolist market;
- That a default on the payment of a financial debt or guarantee of a financial debt of the Company or one of its major subsidiaries in an amount equal to at least 1 million euros triggers the requirement for immediate repayment of the bond.

In the case of an operating project in France financed independently, the minimum debt service coverage ratio is not being met. Failure to meet this ratio, however, does not trigger immediate repayment of the debt; for this, it would also be necessary for the ratio not to be satisfied in the fiscal year to come. This was not the case as of the date of preparation of the financial statements. The projected 2009 ratio is above the required minimum. The total for the debts in question is €6,803,000.

Moreover, a lender has been informed of the breach of a covenant (debt ratio / shareholders' equity) on a financing line of €10 million on Natenco Gmbh. Discussions underway involve the issuance of an extraordinary waiver by the bank for fiscal year 2008, to suspend sales of wind farms. These discussions are not expected to conclude before mid-2009.

Barring these two exceptions only, the other major financial covenants were in compliance at the close of the year.

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

	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
	Current	Non-current		
Loans granted by credit establishments	138,339	96,792	141,555	376,686
Convertible bond debt	-	-	204,223	204,223
Finance leasing debt	-	8	-	8
Sub-total of loans	**138,339**	**96,800**	**345,778**	**580,917**
Bank overdrafts and equivalents	4	-	-	4
Other financial liabilities	8,323	-	3	8,326
Total financial liabilities	**146,666**	**96,800**	**345,781**	**589,247**

Short-term debt, i.e., €138,341,000, corresponds to the financing of wind projects. It has the following characteristics:

- Short-term portion of long-term debt (1) €23,359,000
- Current borrowings related to the financing of the Natenco Gmbh business €34,340,000
- Non-current borrowings classified completely as short-term (2) €66,987,000
- Borrowings in the process of refinancing €13,655,000

- This item corresponds to borrowings for financing the share of wind farms in operation and in construction that is to be repaid in less than one year.

- This item corresponds to long-term borrowings involving wind farms in operation or upon completion of construction in Germany, which are anticipated to be sold in 2009.

Other financial liabilities include the negative fair value of borrowing rate risk hedging derivatives, totaling €7,947,000

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

	Less than 1 year	1 to 5 years	Over 5 years	TOTAL
	Current	Non-current		
Loans granted by credit establishments	(20,950)	(55,478)	(32,465)	(108,893)
Convertible bond debt	(14,506)	(65,525)		(80,031)
Finance leasing debt	-		-	-
Total Loans	**(35,456)**	**(121,003)**	**(32,465)**	**(188,924)**

The financial expense at less than one year corresponding to the bond consists of €4,800,000 in interest due. The balance corresponds to application of the EIR.

- **Analysis by type of rate**

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

- **Convertible bond**

Repayable amount:

The Group has the opportunity for early repayment, at its own discretion, after January 1, 2012.

Year	Reimbursable amount	Number of shares	Unit value
1/1/2014	260,111,549	11,538,462	22,5430
1/1/2012	253,151,549	11,538,462	21,9398

Use of the Effective Interest Rate results in the posting of an additional expense presented as follows:

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

The put implemented in this agreement may be exercised in 2013.

- **Derivative financial instruments**

Derivative instruments applied to manage the rate risk on variable-rate borrowings are posted to income at fair value as of December 31, 2008.

The valuation of the rate swaps as of December 31, 2008 thus posted total (€7,947,000), compared to €1,128,000 as of December 31, 2007.

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

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

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

23. Provisions for employee benefits

- ### Components of the expense for the fiscal year

	12/31/2008	12/31/2007
Retirement expense	**72**	**108**

- ### Change in the provision

	12/31/2008	12/31/2007
Provision at opening of period	**251**	**142**
Expense for the year	72	108
Reclassification of abandoned activity	(263)	
Provision at close of period	**61**	**251**

- ### Principal actuarial assumptions

	12/31/2008	12/31/2007
Discount rate	4.75%	4.75%
Change in officer salaries	3.00%	3.00%
Change in non-officer salaries	2.00%	2.00%
Mortality table	TGH 05 and TGF 05	TGH 05 and TGF 05
Retirement age	65 years	65 years

Note that actuarial variances are not significant.

24. Other provisions

	Provision for litigation	Other provisions	TOTAL
Opening values at 1/1/2008	**609**	**492**	**1,101**
Contributions	3,227	572	3,800
Reversals	(574)	(343)	(917)
Business combinations	34	(156)	(122)
Conversion gains / losses		6	6

	-		
Other changes	-	(8)	(8)
Closing values at 12/31/2008	**3,296**	**563**	**3,860**
of which: current share		16	16
of which: non-current share	3,296	547	3,844

Provisions for litigation totaled €3,296,000 at the close of the fiscal year. These correspond primarily to the following disputes filed during the course of the year:

- THEOLIA SA corporate litigation: €184,000
- Windream One disputes: €354,000
- Disputes related to the business (Germany)): €1,990,000
- Risk on projects in Greece: €700,000

25. Suppliers and other creditors

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

Supplier debts correspond to the business involving the construction/sale of wind farms totaling €45,001,000, which may be broken down geographically as follows:

- France: €1,663,000
- Germany: €42,457,000
- Italy: €735,000
- Other countries: €146,000

Other debts primarily correspond to the following transactions:

- Suppliers of fixed assets (specifically within the context of wind projects): €9,948,000
- Surcharges to be paid following the acquisition of projects in Italy: €16,078,000
- Debts relating to the acquisition of companies (Germany): €6,177,000

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

Tax debts largely correspond to VAT collected and not yet paid.

26. Sector information

- **Breakdown by business segment**

The Group is active in the wind business sectors, which are the following:

- Construction of facilities for the production of wind energy, on behalf of third parties or the Group. This activity includes "development."
- The operation of wind farms.

The Group is also active in non-wind business sectors. The principal activity in this sector, i.e., the environment division, is currently discontinued and the assets and liabilities of this component are available for sale. The other activities comprising this sector are the following:

- Production of bio-fuels;
- Production of electricity from hydro-energy.

Because of the change in strategy decided upon during the year, no wind farms have been sold by Natenco (wind power construction and sales).

The comparative data presented below correspond, for both the balance sheet and the income statement, to the financial statements ending December 31, 2007, adjusted for the application of IFRS 5 for discontinued activities.

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

Balance sheet	Wind farm construction and sale	Sale of wind electricity	Non-wind businesses	Holding company	Total
Non-current assets	**138,491**	**443,762**	**25,326**	**(51,997)**	**555,584**
of which : non-allocated, non-current assets	*10,490*	*3,398*	*25,295*	*2,486*	*41,669*
Current assets	**220,270**	**75,099**	**19,799**	**28,134**	**343,302**
Assets intended to be sold	-	-	9,638	**10,179**	19,817
Total consolidated assets	**358,761**	**518,862**	**54,764**	**(13,684)**	**918,703**
Non-current liabilities	**24,316**	**238,989**	**67**	**205,707**	**469,080**
of which : non-allocated, non-current liabilities	*21,703*	*238,690*	*2*	*204,219*	*464,614*
Current liabilities	**112,911**	**106,166**	**12,109**	**35,554**	**266,742**
of which, non-allocated, current liabilities	*48,543*	*82,203*	*10,772*	*5,147*	*146,666*
Liabilities intended to be sold			**13,121**		**13,121**
Total consolidated liabilities	**137,227**	**345,156**	**25,297**	**241,261**	**748,943**
Other information					
Acquisitions of tangible and intangible assets	**26,547**	**15,026**	**2,253**	**1,205**	**45,030**
Work force at end of period	**123**	**12**	**108**	**51**	**295**

12/31/2007 (in thousands of euros with the exception of work force)

Income statement	Wind farm construc struc- tion and	Sale of wind electricity	Non-wind businesses	Holding company	Total

	sale				
Total sales	249,321	53,912	15,888	5,589	**324,710**
Inter-business sales	(30,899)	-	(88)	(5,589)	**(36,576)**
Total	**218,422**	53,912	15,800	**-**	**288,134**
Current operating income	**11,548**	**6,390**	**(6,190)**	**(11,309)**	**439**
Other non-current income and expenses	181	123	(39)	18,694	18,959
Impairment on goodwill				(56,490)	(56,490)
Operating income	**11,729**	**6,513**	**(6,229)**	**(49,105)**	**(37,091)**
Share of income of associates	(182)	(4)	593	-	407
Non-current assets	159,411	419,946	104,563	(38,055)	645,865
of which : non-allocated, non-current assets	20,063	(2,001)	78,989	18,038,	115,089
Current assets	260,249	56,636	16,409	175,752	509,046
Assets intended to be sold		-	-	-	-
Total consolidated assets	419,660	476,582	120,973	137,696	1,154,91 2
Non-current liabilities	30,331	240,297	7,474	204,450	480,292
of which : non-allocated, non-current liabilities	30,298	240,032	6,868	202,178	479,376
Current liabilities	175,973	54,730	21,964	17,534	270,200
of which, non-allocated, current liabilities	61,009	27,824	1,121	818	90,772
Total consolidated liabilities	206,304	295,026	29,438	221,984	750,492
Other information					
Acquisitions of tangible and intangible assets	9,229	38,040	698	169	48,136
Work force at end of period	115	-	92	30	237

Comments on the income statement

"Wind facility construction and sale" business

Revenue for the year is negative due to cancellation of the sale of a wind farm in Germany, which was completed in 2007 for a total of €17,000,000 (buyer's inability to obtain financing in 2008).

This activity resulted in a current operating loss of (€31,115,000), due primarily to the following factors:

In accordance with the decision to suspend the principal activity of its German subsidiary Natenco (strategic option to retain the farms, as communicated in September 2008), the Group posted no sales of wind farms during fiscal year 2008. Structural costs have consequently not been absorbed and had a direct effect on the Group's current operating income. They represent a non-capitalized expense of €8,240,000 during fiscal year 2008.

Costs incurred and not capitalized in the resale cost of projects by companies engaged in a development activity constitute an expense of (€4,033,000).

The probabilities of completion of projects in development required the posting of provisions of (€2,324,000).

The Group has also posted non-recurring expenses and provisions affecting current operating income in the amount of (€12,194,000), distributed as follows:

(1) Loss of margin on cancellation of a sale of a farm in Germany in 2007 (€2,715,000)

(2) Depreciation of turbines (€3,119,000)

(3) Penalties on a contract with a turbine manufacturer following a turbine purchase volume below the minimum amount anticipated in the contract (€2, 670,000)

(4) Additional commissions on sales of wind farms (€2, 200,000)

(5) Risks on contracts (€1,490,000)

Operating income showed a loss of (€90,168,000). (€58,547,000) in losses of value were posted, primarily concerning the following:

(6) The goodwill resulting from the acquisition of Natenco Gmbh for (€44,606,000). This depreciation results form the impairment test performed at the close of the year based on the discounted future cash flows method;

(7) The goodwill and fixed assets of PESSA (Almeria project) totaling (€12,938,000). This depreciation resulted from a recoverable value of €4,000,000, significantly lower than the posted book value.

<u>"Sale of wind electricity" business</u>

Sales of electricity of wind origin, on its own behalf and on that of third parties, increased from €53,912,000 in 2007 to €98,993,000 in 2008, showing growth of 83%.

Sales of electricity from wind farms held by the Group more than doubled during the period, to a total of €55,540,000. Installed capacity on its own account rose from 333 MW as of December 31, 2007, to 360 MW as of December 31, 2008.

The sharp growth in revenue from this activity may be explained by the following factors:

(8) Full-year consolidation of 2007 acquisitions (including 165 MW contributed by the Group in Germany in July 2007) €18,132,000

(9) Full-year effect of the wind farms developed by the Group and commissioned in 2007 €3,028,000

(10) Effect of the acquisitions in 2008 (including CED) €5,035,000

(11) Effect of the commissioning of the Sallen wind farm €72,000

(12) Effect of the change in the wind farm business on a constant scope of consolidation basis €2,390,000

This business yields current operating income of €12,893,000, i.e., 23% of total revenue. Operating expenses total €16,779,000, i.e., 30% of total revenue.

Depreciation of wind farms in operation, i.e., €26,017,000, represents a significant share of expenses for this activity. It totals 47% of revenue.

Valuation calculations based on discounted future cash flow (DCF) resulted in the finding of an impairment at the close, significantly reducing operating income, which is (€31,468,000).

This depreciation, posted in fiscal year 2008, totaled (€44,847,000), and was distributed as follows:

(13) Depreciation of goodwill (€29,655,000)

a. France (€2,499,000)

b. Germany (€12,206,000)

c. Morocco (€14,950,000)

(14) Non-current depreciation (€15,192,000)

a. France (€19,000)

b. Germany (€15,172,000)

The business of electricity sales on behalf of third parties, which increased over 50% over 2007, yielded total revenue of €43,454,000 and current operating income of €1,202,000, i.e., 3% of total revenue. These poor results may be explained by the low margins corresponding to the contracts.

As of December 31, 2008, the total number of MWs generated on behalf of third parties totaled 311 MW, compared to 297 MW as of December 31, 2007.

<u>"Non-wind" business</u>

The negative revenue in this sector is due to cancellation of the sale of the Merzig solar farm, i.e., (€14,400,000). Adjusted total revenue is therefore €3,838,000, distributed as follows:

(15) Sales of bio-fuels €1,608,000

(16) Sales of electricity (solar) €1,406,000

(17) Other €854,000

Operating income from non-wind activities totaled (€5,414,000) and primarily corresponded to the companies Biocarb and Theolia Première Nation.

The Biocarb business did not obtain sufficient sales volumes as to achieve the profitability threshold. Operating income was (€2,600,000), and takes into account (€1,777,000) in asset depreciation;

Since the Theolia Canada business and its subsidiary do not generate revenue, operating income, i.e., (€1,077,000), represents structural costs of (€246,000), and asset depreciation for the balance;

Cancellation of the sale of the Merzig solar park resulted in operating income of (€900,000) without the corresponding revenue.

"Holding company" business

The "holding company" sector combines the following entities:

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

Total revenue prior to the elimination of inter-activities sales consists of management fees re-billed to the subsidiaries of other sectors by THEOLIA SA, i.e., €7,634,000.

Current operating income from the holding company business totaled (€48,139,000), including (€46,746,000) corresponding to THEOLIA SA.

The expenses presented in the holding company sector correspond to the following activities:

- Group general management (strategy)
- Relations with the stock market and investors
- External growth activities
- Search for financing by market-driven sources

Income is due to the following items:

- THEOLIA SA structural charges covered by rebilling (€10,937,000)
- Depreciation of a down payment on reserved turbines (€10,000,000)
- Depreciation of the receivable following the sale of Thenergo stock (€15,000,000)
- Share-based payments to THEOLIA SA employees and management (€9,660,000)

Other operating income and expenses, i.e., (€22,547,000), include the proceeds from the sale of the Thenergo Group for (€22,649,000).

Comments on the balance sheet

"Wind farm sales and construction" business

This sector combines the assets of companies engaging in sales of wind farms as well as the assets of program support companies in the process of development and construction.

Non-current assets primarily comprise the following items:

- Goodwill €67,694,000
- Work in progress €60,308,000

Goodwill primarily corresponds to Natenco Gmbh, totaling €31,319,000.

Current assets specifically include the following:

- Inventory of work in progress €137,365,000
- Trade receivables €10,592,000
- Cash €34,958,000

Following its decision to suspend the principal activity of its German subsidiary Natenco, the Group will not be posting any sales of wind farms in the fiscal year 2008. Wind projects acquired during the year have therefore been mothballed with a view to their sale in 2009 and thereafter.

Liabilities primarily include bank borrowings intended for financing the business's activity, i.e., €69,776,000, as well as debts to suppliers and other creditors, i.e., €58,150,000.

"Wind electricity sales" business

This sector includes the assets of wind farms in operation.

Non-current assets primarily include the following items:

- Goodwill €65,988,000
- Wind facilities €374,376,000

Current assets specifically include €19,138,000 of wind farms mothballed with a view to their sale, as well as €32,081,000 in cash generated by the electricity production business.

Liabilities primarily include borrowings intended for financing the construction of wind farms. At the close of the year, they totaled €299,326,000.

Debts owed to suppliers and other creditors totaled €22,763,000.

"Non-wind" businesses

This sector includes the assets of companies engaged in a non-wind business.

Following the Group's decision to divest itself of non-wind businesses, the assets and liabilities of entities held for sale have been treated in accordance with IFRS 5.

These adjustments were covered by an additional line on the balance sheet, "assets / liabilities held for sale," totaling €19,817,000 for assets and €13,121,000 for liabilities.

Non-current assets include the Group's share of the company Ecolutions, totaling €24,772,000.

Moreover, the solar farm Merzig appears under current assets (inventory) with a total of €12,900,000.

Liabilities primarily include the borrowing corresponding to this farm, i.e., €10,621,000, and debts owed to suppliers and other creditors, i.e., €1,337,000.

"Holding company" business

Non-current financial liabilities include the OCEANE convertible bond totaling €204,223,000.

Current liabilities primarily consist of debts to suppliers and other creditors, i.e., €30,408,000.

- **Distribution by geographic region**

	France	Germany	Rest of world	Total
Total sales	16,272	50,346	8,995	75,613
Inter-country sales	(4 621)	-	(1 036)	(5 657)
Total	**11,651**	**50,346**	**7,959**	**69,956**
Balance sheet				
Non-current assets	**504,693**	**96,482**	**(45,592)**	**555,584**

of which: investments	*126,644*	*252,19,*	*56,989*	*435,831*
of which : non-allocated, non-current assets	*426,135*	*(251,643)*	*(132,824)*	*41,668*
Current assets	**84,213**	**242,091**	**16,998**	**343,302**
of which : non-allocated, non-current assets	-	-	-	-
Assets intended to be sold	19,817			19,817
Total consolidated assets	**608,723**	**338,572**	**(28,593)**	**918,703**

12/31/2007 (€ thousands)

	France	Germany	Rest of world	Total
Total sales	20,728	263,147	7,413	291,289
Inter-country sales	(3,155)	-	-	(3,155)
Total	**17,573**	**263,147**	**7,413**	**288,134**
	-	-	-	-
Current operating income	(21,739)	22,264,	(1,425)	(900)
Other non-current income and expenses	24,552,	-	(1,763)	22,789,
Loss of value	(60,746)	-	-	(60,746)
Operating income	**(57,933)**	**22,264,**	**(3,188)**	**(38,857)**
Share of income of associates		(4)	(81)	(85)

Balance sheet				
Non-current assets	**125,284**	**416,852**	**103,725**	**645,865**
of which: investments	*111,296*	*278,011*	*21,408*	*410,714*
of which : non-allocated, non-current assets	*2,007*	*42,548*	*70,532*	*115,087*
Current assets	**252,886**	**243,871**	**12,289**	**509,046**
Total consolidated assets	**378,171**	**660,724**	**116,017**	**1,154,912**

27. Personnel expenses

	12/31/2008	12/31/2007
Personnel compensation	9,358	9,082
Pension and social security expenses	3,257	2,054
Other personnel expenses	33	-
Other employee benefits and share-based payments (IFRS 2)	8,190	6,996
Total Personnel expenses	**20,838**	**18,132**

Personnel expenses (excluding payments in shares) remained stable overall. This was due to the following factors:

- Development of the Moroccan subsidiary, Theolia Emerging Markets: €845,000
- Change in payroll and headcount at Natenco Gmbh (of which, reduction in premiums) (1): (€1,827,000)
- Change in payroll and headcount at THEOLIA SA (2): €1,202,000
- Increase in headcount at Theolia Brazil: €156,000
- Increase in headcount and full-year effect of the acquisition of the Maestrale Group: €96,000

- Acquisition of CED €245,000
- Full-year effect of the acquisition of Biocarb: €215,000
- Other factors €580,000

- Essentially, the effect of the reduction in premiums on income.
- The corporate plan implemented at year-end at THEOLIA SA had no impact. The posted increase is associated with the full-year impact of the growth in headcount in 2008 associated with the company's sharp growth.

28. Other operating income and expenses

	12/31/2008	12/31/2007
Share-based payments (allocation of warrants)	(1,615)	(4,803)
Income from ordinary activities	6,049	1873
Other operating income and expenses	(777)	1358
Total	**3,656**	**(1,572)**

Operating income and expenses primarily include the expense related to the awarding of stock warrants to certain directors of THEOLIA SA, i.e., (€1,615,000).

29. Other non-current expenses and income

	12/31/2008	12/31/2007
Litigation		(112)
Disposal of Thenergo shares	(22,649)	22,981
Impact of changes in scope of consolidation		74
Other non-current income and expenses	65	(154)
Total	**(22,584)**	**22,791**

This item includes the result of the deconsolidation of the Thenergo Group, i.e., (€22,649,000), which was sold on December 23, 2008.

During the previous year, dilution profits from the share in this same Group were posted for a total of €22,981,000. Thus, over two years, the cumulative impact on the income of the THEOLIA Group was €332,000.

30. Impairment

- **Item detail**

Impairment posted at the close of the year are presented in the following table:

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

- **Distribution by geographic region**

	12/31/2008	Asset depreciation	Goodwill
Development and construction of wind farms	(809)	(809)	
Production of wind energy	(2,519)	(20)	(2,499)
Non-wind business	(574)	(465)	(109)
Loss of value - France	**(3,901)**	**(1,293)**	**(2,608)**
Development and construction of wind farms	(44,606)		(44,606)
Production of wind energy	(27,379)	(15,172)	(12,206)
Loss of value - Germany	**(71,985)**	**(15,172)**	**(56,813)**
Development and construction of wind farms	(12,938)	(11,293)	(1,645)
Loss of value - Spain	**(12,938)**	**(11,293)**	**(1,645)**
Production of wind energy	(14,950)		(14,950)
Loss of value - Morocco	**(14,950)**	**-**	**(14,950)**
Development and construction of wind farms	(194)	(194)	

Non-wind business	(2,609)	(1,043)	(1,565)
Loss of value – rest of world	**(2,803)**	**(1,237)**	**(1,565)**
Total	**(106,577)**	**(28,996)**	**(77,581)**

31. Net financial result

- **Analysis of the item**

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

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

Cash income totaled €6,384,000 and was derived from investments made by THEOLIA SA and Natenco Gmbh.

The interest expense not included in assets corresponding to borrowings assumed by the Group totaled (€33,009,000) and was broken down as follows:

- OCEANE bond: (13, 541,000)
- Financing of the Natenco Gmbh business: (3,805,000)
- Wind farms in development (France): (379,000)
- Wind farms in development (Italy): (251,000)
- Wind farms in operation (France): (3,870,000)
- Wind farms in operation (Germany): (7,788,000)
- Solar farm in operation (Germany): (623,000)
- Other wind farms (Germany): (3,021,000)
- Wind farm in operation (Morocco): (313,000)

- **Breakdown of other financial income and expenses**

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

Other financial income and expenses include the impact of derivatives corresponding to borrowings assumed by wind farms in operation in France totaling (€3,975,000), as well as the following items:

- Income from loans granted (primarily in Germany): €2,174,000
- Provisions related to the risks on these loans: (€2,656,000)
- Provision on the loan granted to Asset Electrical: (€2,925,000)
- Other financial expenses: (€568,000)

32. Taxes on earnings

- ### Analysis of tax expense

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

The valuation of deferred tax assets and liabilities is based on how the THEOLIA Group expects to collect or settle the book value of the assets and liabilities, by using the tax rates for which application is expected in the fiscal year the asset will be realized or the liability settled.

A deferred tax asset is only posted if it is likely that the THEOLIA Group will have taxable future earnings to which this asset may be allocated.

The tax revenue posted, i.e., €11,756,000, includes the following items:

- Tax deficits triggered within the Group's German subsidiary (Natenco) totaling €5,192,000. Budget assumptions allow us to project their recovery within 2 years.
- Deactivated tax deficits at THEOLIA SA totaling (€5,111,000),
- A reversal of the provision for deferred liability tax in Spain totaling €2,900,000,
- A positive tax effect of €2,983,000 corresponding to the revaluation of hedging instruments,
- A positive tax effect of €3,142,000 following the depreciation of assets relating to German wind farms.

- ### Tax evidence

Item	12/31/2008	12/31/2007
Consolidated net income	**(244,098)**	**(48,625)**
Posted tax expense	(11,936)	2,777
Share of income from subsidiaries in net income	3,842	85
Share of income from subsidiaries reclassified into discontinued activities	983	(492)
Taxes corresponding to discontinued activities	(2,143)	(48)
Consolidated net income before tax	**(253,352)**	**(46,303)**
Applicable theoretical tax rate	33.33%	33.33%
Theoretical tax burden	84,442	15,433
Posted tax expense (including abandoned activities)	14,079	(2,729)
Tax variance	**(70,363)**	**(18,162)**
Reconciliation items:		
Permanent differences	3,096	(50)
Negative goodwill on acquisitions		(5)
Payments in shares (IFRS 2)	(3,220)	(3,932)
Gain from dilution / Income from write-off	(9,083)	7,660
Tax credits	97	
Foreign exchange variances		(55)
France / foreign rate variance	(8,538)	(2,577)
Loss of value	(26,922)	(18,828)
IDA deactivation	(5,111)	
Tax deficits not activated	(20,976)	(335)
Other	294	(40)
Total	**(70,363)**	**(18,162)**

- ### Type of deferred taxes

Assets

€ thousands	12/31/2008	12/31/2007
Intangible assets	102	51
Tangible fixed assets	301	
Elimination of internal margins	2,116	2,173
Elimination of internal disposals	2,980	2,980
Provisions for retirement commitments	19	84
Financial instruments	2,927	
Tax carry-overs	27,276	17,197
Other assets	250	76
Deferred asset/ liability tax offset	(26,487)	(21,130)
Total	**9,483**	**1,431**

Liabilities

LIABILITIES	2008	2007
Intangible assets	12,655	19,369
Tangible fixed assets	8,720	7,791
Extraordinary depreciation	15,781	8,209
Amortization period adjustment		194
Financial instruments	12,190	13,118
Other liabilities	(826)	6
Deferred asset/ liability tax offset	(26,487)	(21,130)
Total	**22,033**	**27,557**

Tax deficits have resulted in the activation of deferred asset taxes totaling €27,276,000. These amounts are supported by the existence of deferred liability taxes corresponding to the same entities.

- ### Change in deferred taxes

€ thousands	Deferred asset taxes	Deferred liability taxes	Net deferred taxes
Opening	**1 431**	**27 557**	**(26 126)**
Expenses / income	14 763	(940)	15 702
Change in scope of consolidation	(2 293)	461	(2 754)
Impact on reserves	(4 424)	(5 045)	622
Conversion gains / losses	6	-	6
Close	**9 483**	**22 033**	**(12 550)**

- ### Use of deficits

	12/31/2007	New deficits generated	Other	12/31/2008
Deferred taxes subject to activation on deficits	17,197	13,006	(2,927)	27,276
Deferred asset taxes recognized	**17,197**	**13,006**	**(2,927)**	**27,276**

- ### Tax assets not posted

€ thousands	12/31/2008	12/31/2007
Unrestricted	(21,311)	(335)
Total	**(21,311)**	**(335)**

33. Earnings per share

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

34. Associated parties

- **Transactions with associated enterprises**

Associated enterprises are companies over which THEOLIA exercises a significant influence and which are included in the accounts on the basis of the equity method, as well as companies considered related parties, specifically FC Holding.

Information on companies consolidated in accordance with the equity method may be found in Note 12. Transactions between related parties are made based on market price.

Only transactions with Asset Electrical (holding of an electrical line) have been posted. They correspond to the sale by the latter of line usage rights for total power of 58 MW to PESSA. The total value of the deal was €4,060,000.

Transactions with FC Holding are shown in the following table:

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

€ thousands	12/31/2008	12/31/2007
Operating receivables	2,154	5,083
Operating debts	(1,887)	-
	267	**5,083**

- **Directors' compensation**

The compensation of directors who hold a technical position within the company is listed below.

€ thousands	12/31/2008	12/31/2007
Salaries and bonuses	572	2,455
Share-based payments	5,237	5,255
Manager attendance fees		8
Officer attendance fees	261	110
Other compensation	1,223	
	7,293	**7,828**

Attendance fees paid to members of the THEOLIA Board of Directors totaled €239,000 (€118,000 in 2007).

For the fiscal year 2008, THEOLIA posted (Note 20) an expense corresponding to payments in shares totaling €5,237,000, distributed as follows:

- €1,615,000 as stock warants to company directors;
- €3,622,000 as free shares to company directors.

Other compensation specifically includes the following:

- The expense related to a strategy consulting agreement between Faracha and THEOLIA SA, for €908,000;
- The expense corresponding to the compensation of the new CEO, for €195,000.

35. Commitments, contingent assets and liabilities

- **Commitments given**

THEOLIA, in its capacity as holding company, or the subsidiaries in their capacity as parent company in each country, have approved various guarantees to permit their sub-subsidiaries to do business. These commitments are the following:

- **Guarantee to cover working capital requirements:** The Group's companies have approved joint and several surety, first-call guarantees, and comfort letters to guarantee lines of credit granted by financial establishments intended to finance their working capital requirements.
In Germany, THEOLIA has assumed surety totaling a maximum of 7.5 million euros in favor, on the one hand, of Südwest-bank, and on the other hand, Bernhauser Bank AG, to guarantee two lines of credit totaling 10 million euros each, granted by the latter to NATENCO GmbH, subsidiary of THEOLIA. These lines of credit are intended to finance NATENCO's working capital requirements.

The commitment assumed vis-à-vis Bernhauser Bank has a term of one year, starting with the Board of Directors' meeting of May 14, 2007.

The commitment assumed vis-à-vis Südwestbank has a term of one year, starting with the Board of Directors' meeting of September 14, 2007.

Further, THEOLIA has awarded a letter of comfort in favor of the banks of Theolia Deutschland, in the amount of 2 million euros.

- **Guarantees to turbine suppliers:** The companies of the group have approved first-call guarantees or joint and several surety to guarantee the debts of the subsidiaries to wind turbine manufacturers during the period preceding implementation of the final financing for wind farms by a financial establishment.
In Italy, THEOLIA has awarded joint and several surety totaling 36.4 million euros to Vestas under an agreement for the sale of 35 wind farms dated July 18, 2008 between Vestas and Aerochetto Italy, a subsidiary of Maestrale, for the Aero-Chetto project.

- **Guarantees for the financing of wind farms**: The Group's companies have approved guarantees within the context of the financing of wind farms by financial establishments or for the dismantling of wind farms.

- **In France**

In France, certain companies

- Theowatt,
- Natenco SAS
- THEOLIA France
- and Royal Wind,

in their capacity as companies that wholly own project support companies (PSCs), have approved pledges of financial instruments or pledges of corporate shares to guarantee financial debts contracted by the following PSCs:

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

Moreover, the framework agreements with the banks provide for a joint and several commitment by THEOLIA, THEOLIA France and Theowatt to provide to the PSCs, via capital contributions and/or shareholder loans, sums corresponding to the fraction agreed upon with the banks, to cover the construction costs of the Wind Farms. Similarly, according to the terms of these agreements, THEOLIA, THEOLIA France and Theowatt are jointly and severally responsible for covering, any instances of exceeding the construction budgets validated with the banks, via new capital contributions and/or shareholder loans.

These commitments correspond to the following PSCs:

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

Finally, the framework agreements with the banks provide for joint and several surety by THEOLIA for repayment of the sums owed for the bridge loans granted by the banks to the PSCs for purposes of financing the VAT corresponding to the construction of the Wind Farms.

- **Financing of Wind businesses with minority shareholders**

On May 16, 2005, THEOLIA signed a memorandum of understanding with the minority shareholders of Ventura SA, amended by the addenda dated June 30, 2005, May 12, 2006 and April 30, 2007. This protocol sets the principles for collaboration between THEOLIA and its subsidiary. The principal characteristics of this collaboration are the following:

All Group wind projects, including current or future acquisition projects, will be developed and constructed by Ventura SA, within the limits of the business plan prepared each year. To this end, each year Ventura, with the collaboration of THEOLIA, will prepare a business plan defining the number and scope of the planned projects and setting the determining of shareholders' equity needed to be contributed by THEOLIA.

For each wind farm project falling within the context of the aforementioned business plan, an *ad hoc* SAS will be prepared and held, either directly or via a holding company, in the amount of 80% by Ventura, subsidiary of THEOLIA S.A., and 20% by Messrs. Guyot, Bouffard and De Saint Jouan (minority shareholders as of 12/31/2007).

- **In India**

In India, THEOLIA has agreed to a pledge on its SICAV accounts at Société Générale in the amount of 9.8 million euros in favor of Deutsche Bank. The guarantee is aimed at covering any absence of financing of the project held by Theolia Wind Power totaling 10 MW. This commitment expires in March 2009.

- **In Morocco**

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

- **In Germany**

In Germany, Natenco GmbH and certain of its subsidiaries, through various banking establishments, have pledged a certain number of accounts opened on their books with a view to guaranteeing any costs that might be disclosed at the time of the dismantling of certain farms. The total value of these pledges was €5,789,000 as of December 31, 2008.

- **Guarantee of price refund in favor of certain Natenco GmbH clients:**

Within the context of the sale of a wind farm with total power of 24 MW for a price of 40.8 million euros by Natenco GmbH to Hohenlohe Windpark 1 GmbH & Co, Hohenlohe Windpark 2 GmbH & Co KG, Hohenlohe Windpark 3 GmbH & Co KG, Hohenlohe Windpark 4 GmbH & Co. KG, Hohenlohe Windpark 5 GmbH & Co KG and Hohenlohe Windpark 6 GmbH & Co KG, companies affiliated with Meinl International Power Ltd, THEOLIA has granted an unconditional and irrevocable guarantee of a refund of the aforementioned sale price in the event of the cancellation of that sale by one or more buyers and of default by Natenco GmbH in repaying of the sale price. This commitment expires June 30, 2009.

- **Other commitments**

Headquarters lease agreement

The Company has contractually committed to lease the headquarters premises for 9 years without possibility of cancellation in advance, i.e., up to February 28, 2016.

Guarantee for loans taken by Ecoval 30

In the context of Ecoval 30 activities, THEOLIA has guaranteed €2,000,000 of the loan taken out on June 27, 2005 by Ecoval 30 from Société Générale, the balance of which is due on June 14, 2012.

Support for development of the Ecoval Technology and Ecoval 30 businesses

Within the context of its support for development of the Ecoval Technology businesses, THEOLIA has provided surety to BFCC for a total maximum of €140 million.

Project financing

THEOLIA has provided joint and several surety for the following deals:

- Signing of joint and several surety to ENTENIAL as guarantee of payment for the competition awarded by the SCI CS2M.
- Signing of joint and several surety to ROYAL BANK OF SCOTLAND in favor of SAS SEGLIEN;
- Signing of joint and several surety to ROYAL BANK OF SCOTLAND in favor of SAS CEFF.

- **Commitments received**

On January 31, 2008 THEOLIA France signed a memorandum of understanding, pursuant to which the company Winvest undertook to offer it 30 MW of wind energy projects before December 31, 2009.

Finally, on December 24, 2008, THEOLIA SA announced the sale of its entire interest (i.e., 4,716,480 shares) in Thenergo, to the company Hestiun, for a total of 15 million euros. The company retains an option to purchase these shares, if it desires, at the agreed-upon price of 110% of the sale price within 12 months, and 120% of this same price within the next 12 months.

36. List of group companies

Companies	% interest	% control	Consolidation method	Country	Activity
SA THEOLIA	100.00	100.00	Parent	France	Holding
THEOLIA IBERICA	100.00	100.00	Full Consolidation	Spain	Holding
THEOLIA EMERGING MARKETS	47.62	47.62	Full Consolidation	Morocco	Holding
SAS TEMPO HOLDING	100.00	100.00	Full Consolidation	France	Holding
CENT EOL DE FRUGES LA PALETTE	99.94	99.94	Full Consolidation	France	Wind Construction Sale
CENT EOL AQUEDUC	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE SORBIERE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA FRANCE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA PARTICIPATIONS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
VENTURA	99.42	99.42	Full Consolidation	France	Wind Construction Sale
CENT EOL DU GRAND CAMP	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DU PLATEAU DE RONCHOIS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE SALLEN	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DES COSTIERES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DES GARGOUILLES	100.00	100.00	Full Consolidation	France	Wind Construction Sale

CENT EOL DE CROIX BOUDETS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE CHASSE MAREE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DU MAGREMONT	99.54	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	99.54	100.00	Full Consolidation	France	Wind Construction Sale
ASSET ELECTRICA	50.00	50.00	Equity Method	Spain	Wind Construction Sale
PESA	100.00	100.00	Full Consolidation	Spain	Wind Construction Sale
NATENCO HOLDING Gmbh	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
NATENCO GMBH	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
NATENCO SAS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
LES 4E	100.00	100.00	Full Consolidation	France	Wind Construction Sale
NATENCO CZECH REP. IG	100.00	100.00	Full Consolidation	Czech Republic	Wind Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00	100.00	Full Consolidation	Greece	Wind Construction Sale
THEOLIA BRAZIL	100.00	100.00	Full Consolidation	Brazil	Wind Construction Sale
CENT EOL DE CANDADES	79.54	80.00	Full Consolidation	France	Wind Construction Sale
WP GROSS WARNOW GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00	80.00	Full Consolidation	Greece	Wind Construction Sale
THEOWATT	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOLIENNE DES SOUTETS	79.54	80.00	Full Consolidation	France	Wind Construction Sale
CENTRALE EOL CHEM DE FER	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENTRALE EOL FORET BOULTACH	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA GREECE	95.00	95.00	Full Consolidation	Greece	Wind Construction Sale
THEOLIA CEE Gmbh	100.00	100.00	Full Consolidation	Austria	Wind Construction Sale
Maestrale Green Energy Srl	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Maestrale Project Holding SA	50.32	50.32	Full Consolidation	Italy	Wind Construction Sale
Neo Anemos Srl (Martignano 21 MW)	47.81	95.00	Full Consolidation	Italy	Wind Construction Sale

MGE Giunchetto Wind Park SA	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Aerochetto Srl (Giunchetto 29.75 MW)	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
MPH 1 SA (Giuggianello 28 MW)	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Avalon Ltd	100.00	100.00	Full Consolidation	England	Wind Construction Sale
MGE Idea Srl	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
THEOLIA HUNGARIA	100.00	100.00	Full Consolidation	Hungary	Wind Construction Sale
THEOLIA POLSKA	99.90	99.90	Full Consolidation	Poland	Wind Construction Sale
WP MUEHLANGER GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
WINDIANERGIE COESFELD-LETTE GmbH & Co	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
CENT EOL DE COUME (CECOU)	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE MOTTENBERG	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE DAINVILLE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE DEMANGE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA SOUTH AMERICA	100.00	100.00	Full Consolidation	Brazil	Wind Construction Sale
Belmonte Green Energy Srl	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
CE CHERMISEY	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CE BEAUDIGNECOURT	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC BIESLES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC DAINVILLE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC DEMANGE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC LES PINS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC SAINT BLIN	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC L'ARDECHE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC LE CHARMOIS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
TANGER MED WIND SA	47.57	0.00	Full Consolidation	Morocco	Wind Construction Sale

THEOLIA MOROCCO SERVICES SA	47.57	0.00	Full Consolidation	Morocco	Wind Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (	50.00	50.00	Equity Method	India	Wind Construction Sale
Mendicino Green Energy Srl	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
CEBRE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00	50.00	Equity Method	India	Wind Construction Sale
THEOLIA DEUTSCHLAND GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
DRITTE BUSMANN WIND GmbH & Co. BETRIEB	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ZWANZIGSTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NEUNZEHNTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP SAERBECK GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ROYAL WIND	100.00	100.00	Full Consolidation	France	Wind electricity sale
CEFF	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DE SEGLIEN	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DES PLOS	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DU MOULIN DE FROIDURE	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DES SABLONS	99.42	100.00	Full Consolidation	France	Wind electricity sale
CORSEOL SA	95.20	95.20	Full Consolidation	France	Wind electricity sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WP VERWALTUNG GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP BETRIEBS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP HOPSTEN INVESTITIONS GMBH & CO KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP TUCHEN RECKENTHIN INVESTITIONS GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK VERDEN 1 Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK VERDEN 2 Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATURSTROMNETZ Gmbh	43.81	43.81	Equity Method	Germany	Wind electricity sale
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH &	89.60	80.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK RABENAU Gmbh	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK MINDIAN Gmbh	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH &	48.00	48.00	Equity Method	Germany	Wind electricity sale
NATENCO WINDPARK BETEILIGUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale

NATENCO WINDPARK ALSLEBEN BETEILIGUNGS	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WINDPARK MANAGEMENT GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP ZABELSDORF GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP HECKELBERG-BREYDIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP GROSSVARGULA GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA MOROCCOCO	47.62	0.00	Full Consolidation	Morocco	Wind electricity sale
WP NOTTULN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP NIENBERGE GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
R.E.W. KRAENZLIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP RUHLSDORF GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDWIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDWIN VERWALTUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
CED	100.00	100.00	Full Consolidation	Morocco	Wind electricity sale
SNC LES EOLIENNES DE BEL AIR	100.00	100.00	Full Consolidation	France	Wind electricity sale
SNC LES EOLIENNES DU PLATEAU	100.00	100.00	Full Consolidation	France	Wind electricity sale
WP Kreuzbuche Gmbh & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP Stolzenhain Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP Schenkendoebern Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA CANADA	99.98	99.98	Full Consolidation	Canada	Non Wind Activities
BIOCARB	96.73	96.73	Full Consolidation	Switzerland	Non Wind Activities
ECOVAL TECHNOLOGY SAS	100.00	100.00	Full Consolidation	France	Non Wind Activities
SERES ENVIRONNEMENT	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
NEMEAU SAS	99.99	100.00	Full Consolidation	France	Non Wind Activities
THEOLIA PERMIERES NATIONS INC	99.98	100.00	Full Consolidation	Canada	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
THENERGO ME (Sous Groupe)	27.21	27.21	Equity Method	France	Non Wind Activities
WINDREAM ONE	100.00	100.00	Full Consolidation	France	Non Wind Activities
ECOLUTIONS	16.77	0.00	Equity Method	Germany	Non Wind Activities
SERES MAGHREB	100.00	100.00	Full Consolidation	Morocco	Non Wind Activities

SERES CHINA	50.00	50.00	Equity Method	China	Non Wind Activities

Newly consolidated companies

Jean JOUVE
72 rue Saint Jacques
13006 Marseille

Deloitte & Associés
Les Docks - Atrium 10.4
10 place de la Joliette
13002 Marseille

THEOLIA
French corporation [*Société Anonyme*]
75, rue Denis Papin
13290 Aix-en-Provence

Report of the Statutory Auditors on the consolidated financial statements

Fiscal year ending December 31, 2008

To the Shareholders,

In executing the task assigned to us by your General Shareholders' Meeting, we present to you our report for the fiscal year ending December 31, 2008, on:

- the examination of the consolidated financial statements of THEOLIA, as attached to this report;
- the support for our conclusions;
- the specific verifications provided for by law.

The consolidated financial statements were prepared by the Board of Directors. Our responsibility, based on our audit, was to express an opinion on these financial statements.

I. Opinion on the consolidated financial statements

We have performed our audit in accordance with the standards of professional practice applicable in France; these standards require the application of measures to allow reasonable assurance that the consolidated financial statements contain no material errors. An audit consists of verifying, by sampling or other selection methods, the factors supporting the amounts and information contained in the consolidated financial statements. It also consists of evaluating the accounting principles followed, the significant estimates applied, and the presentation of all the financial statements. We believe the information we have collected is sufficient and appropriate as to support our opinion.

We certify that with regard to the IFRS reference as adopted in the European Union, the consolidated financial statements are accurate and true, and give a fair presentation of the assets, financial situation, and income of the entire company as represented by the personnel and entities included in the consolidation.

Without calling into question the opinion expressed above, we draw your attention to the paragraph "Continuity of operations," in Note 2.1 of the appendix to the consolidated financial statements.

II. Support for our conclusions

The financial crisis that has gradually developed from an economic crisis has had a number of consequences for companies, specifically with regard to their activity and financing. These factors have been taken into consideration by your company in assessing the suitability of the agreement for the continuity of operations when preparing the financial statements as of December 31, 2008, as noted in the appendix to the consolidated financial statements in Note 2.1. The extreme volatility in the financial markets that remain active, the scarcity of trading on financial markets that have become inactive, and the lack of future visibility create specific conditions this year affecting the preparation of the financial statements, particularly with regard to the accounting estimates that are required in accordance with accounting principles. It is within this context that we have undertaken our own conclusions, which we bring to your attention pursuant to Article L. 823.9 of the French Commercial Code.

As indicated in Note 2.5 of the notes to the consolidated financial statements, the company posts to intangible fixed assets the development expenses of various projects relating to the operation of certain wind farms, corresponding to the criteria stipulated in the IFRS reference, as adopted in the European Union. We have examined the projected activity and underlying profitability at a level appropriate for these accounts, the conditions applied for depreciation, and their recoverable value, and have assured ourselves that Note 2.5 provides appropriate information.

At each close, the company systematically applies an impairment test of the goodwill and indefinite-term assets, and also evaluates whether there is an impairment index for long-term assets, according to the conditions described in Note 2.8 to the consolidated financial statements. We have examined the conditions for the implementation of this depreciation test, as well as the cash flow projections and assumptions used, and we have verified that Note 2.8 provides appropriate information.

At each close, the company systematically applies a review of the recoverable value of the deferred tax assets and also evaluates whether likely taxable earnings are sufficient as to permit the use of the benefit related to these assets, according to the conditions described in Note 3.2 to the consolidated financial statements. Based on the information that has been communicated to us, our work has consisted primarily of reviewing the data and assumptions on which the income projections were made, and we have verified that Note 3.2 gives appropriate information.

The conclusions thus provided fall within the context of our audit approach for the consolidated financial statements, taken as a whole, and have therefore contributed to the formation of our opinion as expressed in the first part of this report.

III. Specific verification

We have also undertaken the specific verifications provided for by law on information relative to the group as contained in the management report. We have no comments to make as to their accuracy and consistency with the consolidated financial statements.

Marseille, April 30, 2009

The Statutory Auditors

Jean JOUVE — Deloitte & Associés

Anne-Marie MARTINI

20.1.2. Additional notes to the appendix to the consolidated financial statements of December 31, 2008

The following additional notes do not form part of the consolidated financial statements as certified by the statutory auditors in their report included in paragraph 20.1.1 of this Reference Document.

Note 2.8 – Impairment

Producible P75 corresponds to the level of annual production for which the long-term likelihood of exceeding this level is 75%.

Projections utilizing producible P75 are thus more prudent than those using producible P50.

Producibles are calculated based on sales data collected on site over a period of at least 1 year and in correlation with historic wind data from the region's weather stations. They may be presented in MWh or in annual hours of operating equivalent at rated power.

The risk-free rate of 4.10% corresponds to the 10-year OAT rates on the performance date of the impairment tests (November 10, 2008). For information purposes, the rate at 12/31/2008 was 3.50%.

The risk premium of 4.75% falls within the range of the rates used by analysts responsible for monitoring THEOLIA (4.31% to 5%).

The discount rate determined on these bases (7%) is increased by an additional risk premium:

- of 1 point for Italy because of the specific conditions in the local market in 2008;
- of 2 points for Morocco because of the characteristics of the concession agreement.

Quantitative information on the sensitivity of the depreciation of goodwill and CCU may be found in Note 11, "Sensitivity analysis," for all tested assets.

Note 4 – Management of risk related to financial instruments

<u>Liquidity risk</u>

Group financing is of three kinds:

- Group corporate debt: OCEANEs (see paragraph 4.3.5 below);
- Germany corporate debt: this financing consists of financial covenants specifically linked to compliance with the borrower's financial structuring ratios (ratio of financial debt to shareholders' equity or financial debt to EBITDA);
- Project debt: this financing related to the construction of wind farms (France, Germany, Morocco) consists of financial covenants specifically related to compliance with cash flow ratios (cash generated by the business / debt service) and financial structure ratios (financial debt / shareholders' equity).

The breach of certain ratios on the closing date of the 2008 financial statements has been corrected. Specifically:

- In France, farms in operation for which the debt coverage ratio was not satisfied as of December 31, 2008 saw their financing restructured to ensure the consistency of the financing with the farms' long-term wind potential;
- In Germany, on a financing line of 10 million euros on Natenco GmbH, the lender was informed of breach of the covenant relative to the debt / shareholders' equity ratio of Natenco GmbH for the fiscal year ending December 31, 2008 by reason of the suspension of the wind farms during the year. The waiver for this financing was issued in exchange for a temporary increase in the credit margin and application of an additional financial covenant (debt / EBITDA < 3.00x).

<u>Foreign exchange risk</u>

To date, the Group's sensitivity to foreign exchange risk is insignificant and does not require the investment of securities to hedge this risk. As of June 30, 2009:

- 4.70 % of assets were denominated in a currency other than the euro.
- 3.24 % of total revenue was denominated in a currency other than the euro..

Note 5 – Significant events characteristic of the year

Cancellation of 2007 sales

Sales cancelled or resulting in mothballing on the balance sheet, of the assets in question, at their initial resale cost, i.e., €27,185, declined by depreciation of €1,285,000. The net amount posted to the company's balance sheet was then €25,900,000 and corresponds to fair value.

These sales were cancelled during fiscal year 2008, without constituting an error correction. Therefore, there was no need to perform a revision of the 2007 financial statements.

Note 8 – Business combinations

With regard to impairment tests on goodwill, the assumptions applied are described in Note 2.8 of the appendix to the consolidated financial statements of December 31, 2008, and the quantified sensitivity of these tests appears in Note 11.

The conditions for calculating surcharges corresponding to acquisition of the Italian developer Maestrale Green Energy are presented below:

Note 11 – Impairment of goodwill, and intangible and tangible fixed assets

Note 10 ("Intangible and tangible fixed assets") shows movements in intangible fixed assets (excluding goodwill) and tangible fixed assets, including depreciation, by type of asset.

In order to make the link with Note 10, the following table shows, by CCU, depreciation posted on goodwill and intangible/tangible fixed assets.

€ thousands	Intangible assets			Tangible fixed assets		
	Provisions IAS 36	Provisions excluding IAS 36	Total	Provisions IAS 36	Provisions excluding IAS 36	Total
CCU: Development and construction of wind farms	**(11 288)**	**2**	**(9,609)**	**-**	**(2,764)**	**(2,764)**
- France		(723)	(723)		(171)	(171)
- Germany		-	-		-	-
- Italy (DCF at 8%)		-	-		-	-
- Spain	(11 288)	3	(8,700)		(2,593)	(2,593)
- Brazil		-	-		-	-
- India		-	-		-	-
- Other		(186)	(186)		-	-
CCU: Wind-based electricity production business, Germany	**(5,332)**	**0**	**(5,332)**	**(9,841)**	**(5)**	**(9,846)**
- GE	**(5,332)**	**0**	**(5,332)**	(4,335)	(0)	(4,336)
- Non-GE	(9)	0	(4)	(5,505)	(5)	(5,510)
CCU: Wind-based electricity production business, France		**-**	**-**	**(19)**	**(1)**	**(20)**
CCU: Wind-based electricity production business, Morocco		**-**	**-**		**-**	**-**
CCU: Non-wind businesses	**(205)**	**(7,352)**	**(7,557)**	**(1,340)**	**(4,169)**	**(5,499)**
Other		0	0		(10)	(10)
TOTAL	**(16,825)**	**(5,630)**	**(22,455)**	**(11,199)**	**(6,940)**	**(18,139)**
Amounts shown in Notes 9 and 10			**(22,455)**			**(18,139)**

The "wind energy production business" line consists of as many CGUs as there are wind farms in operation.

Note 12 – Associated enterprises

Associated enterprises are not listed on the stock markets. At the close of the year they were valued based on an estimate of their fair value.

A study was carried out by an independent expert for the company Ecolutions, which constitutes most of the value of this item. The results led to not depreciating the value of these securities.

Note 13 – Financial assets

Securities available for sale primarily represent shares in the investment fund and are valued at the close in accordance with the recommendations of IFRS 7 §B5f. No depreciation has been provided for.

Note 14 – Inventory

Provisions for depreciation of inventory totaled (€5,629,000) and correspond to the following:

Wind projects:

- Projects located in France (€709,000)
- Farms located in Germany (€1,285,000)
- Other countries (€516,000)

Equipment

- Suzlon turbines (€3,119,000)

Depreciation of wind projects located in France, as well as other countries, is carried out as a function of the risks of not obtaining the building permits that might have an impact on project development.

Depreciation of the farms located in Germany corresponds essentially to appraisal of the recoverable value of the Weimar farm.

The mothballing of the Merzig solar farm was carried out at the initial resale price. The absence of impairment resulted in not posting depreciation at the close of the year.

Note 16 – Other current assets

Tax receivables totaling €32,579,000 at the close as of December 31, 2008 were recovered for nearly 70% of their amount during fiscal year 2009. The portion not yet posted primarily corresponds to projects in the course of development/construction, for which VAT has not yet been recovered.

Note 21 – Financial debt and derivative financial instruments

The short-term portion of financial debt as of December 31, 2008 may be broken down by quarter as shown below:

	< 3 months	< 6 months	< 9 months	< 12 months	Total
Financial liabilities (current share)	105,119	16,837	8,081	16,629	**146,666**

Classification of financial debts

Loans corresponding to wind projects with maturities greater than one year that must be sold during 2009 were classified as short-term.

Moreover, the loan of 10 million euros on Natenco GmbH involving the violation of a covenant did not give rise to classification to short term of the non-current portion given the high likelihood of obtaining the waiver.

20.2. FISCAL YEAR ENDING 31 DECEMBER 2007

20.2.1. Consolidated Financial Statements as of December 31, 2007 and Auditors' Report

Consolidated balance sheet *thousands of euros*

ASSETS	Notes	12/31/2007	12/31/2006
Goodwill	9	144,521	99,136
Other intangible assets	10	46,774	49,835
Tangible assets	11	345,136	119,171
Investments in associate companies	12	63,277	627
Other non-current financial assets	14	44,030	20,833
Deferred tax assets	32	1,431	9,053
Non-current assets		**645,865**	**298,655**
Inventories and work-in-process	15	42,877	9,462
Trade receivables	16	87,386	57,447
Other current assets	17	51,271	20,241
Income tax receivable		188	222

Financial assets: current portion		1,127	798
Cash and cash equivalents	18	326,197	65,509
Current assets		**514,824**	**153,679**
TOTAL ASSETS		**514,824**	**452,334**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	19	38,682	25,404
Share premium		307,171	137,650
Other reserves		105,422	11,048
Net income (Group share)		(48,262)	(4,414)
Shareholders' equity (Group share)		**403,013**	**169,687**
Minority interests		58	277
Shareholders' equity		**403,071**	**171,421**
Non-current financial liabilities	22	458,624	83,030
Provisions: non-current portion	25	665	460
Employee benefits	24	251	142
Deferred tax liabilities	32	18,167	1,734
Other non-current liabilities		-	-
Non-current liabilities		**477,707**	**93,733**
Current financial liabilities	22	90,772	90,772
Provisions: current portion	25	435	435
Trade payables and other current liabilities	26	146,107	122,716
Tax and social security liabilities	26	28,967	16,048
Corporate tax liabilities		12,934	3,777
Current liabilities		**279,216**	**187,180**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,159,994**	**452,334**

Income statement thousands of euros

	Notes	12/31/2007	12/31/2006
Revenues	27	**306,481**	**70,986**
Purchases and changes in inventory		(230,284)	(48,984)
External expenses		(34,746)	(14,301)
Taxes and duties		(1,139)	(729)
Personnel expenses	29	(23,413)	(9,993)
Amortization and provisions	10/11	(18,382)	(3,204)
Other operating income and expenses	28	1,267	(145)
Current operating income		**(3,250)**	**(6,370)**
Other non-current income and expenses	30	(21,014)	(1,568)
Operating income before impairment of goodwill		**17,764**	**(7,938)**
Impairment on goodwill*	8	(56,490)	-
OPERATING INCOME (after impairment of goodwill)		**(38,726)**	**(7,938)**
Cost of gross financial debt	31	(13,240)	(1,198)
Income from cash and cash equivalents	31	3,154	**710**
Cost of net financial debt	31	**(10,086)**	**(488)**
Other financial income and expenses	31	2,145	1,060
Portion of income from associated companies	12	589	62
Income tax	32	(2,729)	3,131
NET INCOME		**(48,807)**	**(4,173)**
Net income Group share		(48,262)	(4,414)
Minority interests		(546)	240
Earnings per share	33	(1.41)	(0.28)
Diluted earnings per share	33	(0.94)	(0.24)

(*) Impact of the accounting treatment (IFRS 3) of the contribution of wind farms from the subsidiaries of the General Electric Group.
This income is offset by a symmetrical increase in shareholders' equity of €56,490K (cf. page 5)

Statement of cash-flows

thousands of euros

	12/31/2007 (12 months)	12/31/2006 (18 months)
Total net income of consolidated companies	**(48,807)**	**(4,174)**
Elimination of amortization, depreciation and provisions	18,084	1,895
Elimination of change in deferred taxes	2,729	(3,131)
Elimination of capital gains and losses from disposals	(932)	(415)
Elimination of the portion of income from equity affiliates	(265)	(62)
Financial expenses	11,720	1,182
Other income and expenses with no effect on cash	44,321	2,757
Gross cash flow operations (A)	**(26,850)**	**(1,946)**
Dividends received from equity affiliates		
Effect of the change in WCR related to the activity (B)	1,795	(190)
Corporate income taxes paid	240	(2,161)
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**28,885**	**(4,298)**
Acquisitions of fixed assets	(50,906)	(53,031)
Acquisitions of financial assets	(104)	
Disposals of fixed assets	7,006	3,198
Change in loans	(24,138)	621
Effect of changes in scope	(66,516)	(68,650)
NET CASH FLOW FROM INVESTING ACTIVITIES (b)	**(134,658)**	**(117,862)**
Dividends paid to minority shareholders	(29)	(23)
Treasury shares	8	(431)
Capital increase (decrease)	96,176	139,147
Subscription to borrowings and other liabilities	308,813	37,053
Repayments of borrowings and other liabilities	(24,116)	(8,208)
Interests paid	(11,720)	(1,531)
Financing operations with no effect on cash	(468)	-
NET CASH FLOW FROM FINANCING ACTIVITIES (c)	**368,663**	**166,007**
Cash flows related to activities in the process of sale	-	-
Foreign currency translation adjustments	(111)	
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**262,779**	**43,847**
Cash and cash equivalents – opening balance	63,142	19,295
Cash and cash equivalents – closing balance *	325,921	63,142
CHANGE IN CASH AND CASH EQUIVALENTS	**(262,779)**	**43,847**
* Cash posted on the balance sheet	326,199	
Bank overdrafts	(278)	
Net cash and cash equivalents– closing balance	***325,21***	

Statement of changes in equity

thousands of euros

	Share capital	Premiums	Translation differences	Consolidated reserves and earnings	Shareholders' equity group share	Minority interests	Total equity
Position as of June 30, 2005	**9,723**	**23,928**		**(1,609)**	**32,042**	**59**	**32,101**
Effect of the first-time application of IAS 32/39		(7,421)		7,421	-		-
Position as of July 1, 2005	**9,723**	16,507	-	5,812	**32,042**	**59**	32,101
Conversion gains/losses			**(9)**		**(9)**		**(9)**
Treasury shares				(431)	(431)		(431)
Consolidated income for the period				(4,414)	(4,414)	240	(4,174)
Sub-total of income and expenses for the period	-	-	(9)	(4,845)	(4,845)	240	(4,614)
Capital increase	15,681	129,204			144,885		144,885
Share-based payments					-		-
Stock warrants granted to personnel				1,048	1,048		1,048
Stock warrants granted to directors				2,504	2,504		2,504
Allocation to the warrants' premium		(2,471)		2,471	**-**		-
Allocation of costs of capital increase		**(5,590)**			**(5,590)**		**(5,590)**
Change in scope				**(370)**	**(370)**	**1,435**	**1,065**
Other reclassifications				**23**	**23**		**23**
Position as of 12/31/2006	**25,404**	**137,650**	**(9)**	**6,643**	**169,688**	**1,734**	**171,422**
Position as of 01/01/2007	**25,404**	**137,650**	**(9)**	**6,643**	**169,688**	**1,734**	**171,422**
Conversion gains/losses			**235**		**235**		**235**
Treasury shares				**8**	**8**		**8**
Consolidated income for the period				**(48,262)**	**(48,262)**	**(545)**	**(48,807)**
Subtotal of income and expenses for the period	**-**	**-**	**235**	**(48,254)**	**(48,019)**	**(545)**	**(48,807)**
Capital increase	13,278	175,503			188,781		188,781
Bonus shares				6,245	6,245		6,245
Stock warrants granted to personnel				38	38		38
Stock warrants granted to directors				5,514	5,514		5,514
Allocation of capital increase costs		(5,982)			(5,982)		(5,982)
Convertible bond				25,372	25,372		25,372
Contribution of General Electric wind farms*				**56,490**	**56,490**		**56,490**
Change in scope				5,842	5,842	(1,131)	5,842
Other reclassifications				(955)	(955)		(955)
Position as of 12/31/2007	**38,682**	**307,171**	**226**	**56,934**	**403,013**	**58**	**403,071**

(*) Impact of the accounting treatment (IFRS 3) of the contribution of wind farms by the subsidiaries of the General Electric group. This impact is offset by a symmetrical impairment of income of €56,490K (cf. page 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

THEOLIA ("the Company") is a limited company [*société anonyme*] with registered office in Aix-en-Provence, France.

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

The Science and Technology Index Board of Euronext Paris, meeting on September 5, 2007, made the decision to admit THEOLIA to the SBF120 indices.

The fiscal year for which the financial statements are presented started on January 1, 2007 and ended on December 31, 2007. The previous fiscal year lasted for 18 months (from July 1, 2005 to December 31, 2006.)

The Company and its subsidiaries ("the Group") conduct their business in the autonomous production of renewable electricity, mainly from wind, and in the sale of power plants to third parties. The Group is also active in the environmental sector.

The Group operates mainly in Europe.

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

2. Accounting principles

2.1. Statement of Compliance

In accordance with EC Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements for January 1, 2007 through December 31, 2007 are prepared in accordance with the IFRS (International Financial Reporting Standards) system of reference published by the IASB (International Accounting Standards Board) on December 31, 2007 and for which the adoption regulation was published in the Official Journal of the European Union on the date the statements were closed. The IFRS system of reference includes the IFRS, the IAS (International Accounting Standards) as well as their interpretations (IFRIC and SIC).

The financial statements are affected by the provisions:

- From IFRS 7 "Financial instruments: disclosures" applicable from January 1, 2007, and
- From the amendment to IAS 1 "Capital disclosures."

The other standards, amendments and interpretations applicable in 2007 have no effect on the Group's financial statements, i.e.:

- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment," an interpretation that states the rules applicable to losses in value recognized in goodwill or in available-for-sale securities in the interim period,
- IFRIC 11 "IFRS 2 Group and Treasury Share Transactions," an interpretation that clarifies the accounting treatment of share-based payments and payments in shares into the accounts of a subsidiary in the Group's equity instruments.

The Group has analyzed the IFRS standards, the IFRIC amendments and interpretations published and approved by the European Union as of December 31, 2007, which are applicable no later than January 1, 2008, as well as those published but not yet approved by the European Union as of December 31, 2007. This applies mainly to IFRS 8 "Operating Segments.".

The texts issued by the ASB, which can be expected on or after 2007, are listed below:

- IAS 1 revised related to the presentation of revised financial statements

- Amendment to IAS 23 related to borrowing costs. The Group already accounts for borrowing costs in the construction cost of qualifying assets.
- IFRS 8 related to operating segments. This currently affects the presentation of the financial statements.
- IFRIC 12 related to service concession contracts (applicable as of January 1, 2008). The Group is involved with one of its subsidiaries in a Public Service Delegation contract. This currently affects the presentation of the financial statements.
- IFRIC 13 related to customer loyalty programs. This interpretation does not apply to the Group.
- IFRIC 14 related to assets from defined benefit plans. This interpretation does not apply to the Group.

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

Unless otherwise indicated, comparative information is presented as of December 31, 2006 (over a period of 18 months). In the notes explaining the change in income and expenses, the comparative data are presented for 18 months.

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

Pursuant to IFRS 3, the financial statements of N-1 presented on a comparative basis were restated after the final allocation of goodwill and price supplements.

- **General valuation principles**

The Group's consolidated financial statements are prepared in accordance with the historical cost principle, with the exception of some financial instruments and financial assets available for sale, which are valued at the fair value.

2.2. Consolidation methods

- **Controlled entities**

Subsidiaries are consolidated if they are controlled by the Group and if the Group manages their financial and operating policies. Subsidiaries are fully consolidated from the date on which the actual control is transferred to the Group. They are deconsolidated as of the date on which such control ceases.

Income from subsidiaries acquired or sold during the period is included in the consolidated income statement, from the date control is taken or until the date control is lost.

If applicable, restatements are done on the financial statements of subsidiaries to harmonize the accounting principles and make them consistent with those of the other companies in the scope of consolidation.

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

- **Associated enterprises**

Associated enterprises are companies in which the Group exerts significant influence in terms of operating and financial policy without owning a controlling interest. In general, these are companies in which the Group owns at least 20% of the voting rights.

The Group's interests in associated enterprises are accounted for by the equity method. The financial statements of associated enterprises are included in the consolidated financial statements from the date significant influence starts until the date significant influence is lost.

The balance sheet value of securities accounted for by the equity method includes the acquisition cost of the securities (including goodwill) plus or minus any changes in the Group share of the net assets of the associated company from the acquisition date. The income statement reflects the Group share in the results of the associated company.

- **Business combinations**

Business combinations created after July 1, 2004 are accounted for according to the acquisition method. The cost of the business combination is equal to the total fair value as of the trading date of any assets remitted, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the company acquired, and all costs directly attributable to the business combination. If the fair value of the assets and liabilities cannot be calculated by the date the financial statements are closed, then a temporary allocation is made that leads to the calculation of goodwill that is also temporary. The final allocation is made no later than one year after the takeover date.

Any positive differences between the acquisition cost and that portion of the fair value of any assets, liabilities or contingent liabilities identifiable on the date control is transferred are posted under assets as goodwill. Any negative differences are posted directly under income for the period.

When a subsidiary or a jointly controlled entity is sold, the amount of the goodwill attributable to the subsidiary is included in the calculation of the income from the sale.

Goodwill is not amortized. Pursuant to IAS 36 "Impairment of Assets," it is subject to an impairment test at least once a year, and more frequently if an indication of loss in value appears. The test methods are aimed at ensuring that the recovery value 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 noted, then the impairment is posted under operating income as "Other non-current income and expenses." This impairment is irreversible.

When additional purchases are made after the date control is transferred, the transaction is considered a simple operation on securities with the minority shareholders. Identifiable assets or liabilities of the controlled company are not revalued. The positive or negative difference generated between the acquisition cost and the additional portion acquired in the net assets of the company is posted directly under the buyer's equity capital.

2.3. Foreign currencies

The rules for translating the currency transactions and financial statements of the consolidated entities were applied by the THEOLIA Group as of December 31, 2007.

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

2.4. Recognition of income

Income is recognized when the Group has transferred to the buyer any significant risks or benefits inherent in the property, when it participates neither in the management nor in the actual control of the assets transferred, when it is probable that the economic benefits resulting from the sale will benefit the Group, and when the cost of the transaction can be valued reliably.

1. Electricity production

Sales recorded from dispatchable plants, wind plants and the co-generation business correspond to the sale of the electricity produced and sold to the operator in accordance with the different contracts guaranteeing the selling prices in particular, based on the volumes produced and sold.

Sales of electricity are recognized based on the quantities produced during the period.

2. Purchase of wind farm for resale

The profit is based on the sale of the farm, in proportion to the number of masts sold.

3. Construction, purchase and sale of wind farms

For construction operations, revenue and an interim profit are recognized.

- **Financial income**

Interest income is posted on a prorated basis according to the effective interest rate method

- **Dividends**

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

2.5. Intangible assets

Intangible assets are recorded at their acquisition cost less total depreciation and any impairment.

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

Depreciation, calculated as of the commissioning date of the asset, is posted under expenses so as to reduce the book value of the assets over their estimated useful life, according to the straight line method.

For contracts and licenses, the depreciation periods used are 15 and 18 years.

The depreciation expense for intangible assets is posted under the heading "Depreciation" in the income statement.

Project-related costs can be generated internally or can be acquired through business combinations.

The principal intangible assets accounted for by the Group concern the development costs of the different projects related to the operation of wind power plants. The projects are valued at their internal cost. An identifiable intangible asset generated internally resulting from the development of an internal project is posted on the balance sheet if, and only if, the following conditions are met:

- The technical feasibility of the project
- The intention of completing the intangible asset and commissioning it or selling it
- The ability to commission or to sell the intangible asset
- The probability of generating future economic benefits
- The availability of technical and financial resources to complete the development of the project
- The ability to evaluate reliably the expenses attributable to the asset during its development.

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

Wind farm developments are considered as intangible assets when the group establishes a program support company designed to shelter the rights from the development in order to operate them itself.

As long as that decision is not made, development costs are treated as inventory and work in progress.

When the conditions for posting an asset generated internally are not met, development expenses are posted as expenses in the period in which they are incurred.

When the Group acquires wind projects developed by companies that have been taken over, such companies are valued at their fair value, in accordance with IFRS 3. The fair value of all the contracts acquired is taken into account in the intangible asset thus determined.

Intangible assets comprise mainly wind projects in the development stage. They are included under "assets under construction" and as such are not depreciated.

Such projects cease to be capitalized from the industrial commissioning date. They are then depreciated over the life of the contract, which is generally 15 years.

2.6. Tangible fixed assets

- **Valuation of tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Assets acquired under a business combination are valued at the fair value on the acquisition date. At every closing, accumulated depreciation and any impairment losses determined in accordance with IAS 36 "Impairment of assets" are deducted from the acquisition cost.

Depreciation, which is calculated starting on the commissioning date of the asset, is accounted for as expenses so as to reduce the book value of the assets over their estimated useful life, according to the straight line method, and on the following basis:

- Construction — 20 years
- Machinery and equipment (plants) — 15 years
- Machinery and equipment — 4-10 years
- Fixtures and facilities — 5-10 years
- Office and computer equipment — 3-5 years
- Office furniture — 5-10 years

The power plants and farms are depreciated over the life of the contract, or 15 years (France) and 20 years (Germany).

Asset depreciation expense is posted under the heading "Depreciation and Amortization" in the income statement.

The profit or loss resulting from the write-off or the decommissioning of an asset is determined as being the difference between the proceeds from the sale and the book value of the asset. The net income from the sale of such non-current items is presented under the heading "Other operating income and expenses" on the income statement.

2.7. Lease agreements

Assets financed by means of lease-financing agreements transferring to the Group nearly all the risks and rewards of ownership of the asset leased are posted under assets on the balance sheet at the fair value of the asset leased or at the present value of minimum lease payments, whichever is lower. The corresponding debt is recorded as financial liabilities.

Payments made under the lease are broken down between the financial expense and the amortization of the debt so as to obtain a constant periodic rate on the balance of the loan appearing under liabilities.

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

Lease agreements in which the lessor retains nearly all the risks and rewards inherent in ownership of the asset are simple leases. Payments made under these agreements are posted as expenses on a straight-line basis over the life of the agreement, corresponding to the useful life.

Assets current covered by a lease-financing agreement are immaterial and do not require restatement.

2.8. Impairment of tangible and intangible fixed assets

The book value of an asset is depreciated when its book value falls below its recoverable value. The recoverable value is either the fair value of the asset (or group of assets) net of selling costs or its utility value, whichever is higher.

The utility value is calculated by adding the present values of any cash flows expected from the use of the asset (or the group of assets). The estimated cash flows used shall be consistent with the estimated business plans developed by the Group's management. The discount rate used shall reflect the current assessment by the market of the time value of the money and the specific risks related to the asset or group of assets. The rate selected shall be determined in accordance with the assets in question, based on the weighted average cost of the capital (WACC). Estimates concerning wind farms cover the duration of the electricity sales agreements.

Where it is not possible to prepare estimates beyond five years, assumptions of the fifth year shall be renewed for subsequent periods.

The fair value of intangible assets is calculated by taking into account the average price of transactions conducted on the market.

An impairment test is done as follows:

- Once a year for open-ended assets, mainly goodwill and non-depreciable intangible assets
- When impairment indices exist for the other assets.

The impairment is booked directly as an expense under operating income.

- **Goodwill**

For the purposes of the impairment test, goodwill is attributed to each of the cash-generating units (CGU) liable to benefit from the synergies of the business combination. The CGU correspond to homogenous sets of assets the continuous use of which generates identifiable cash flows separate from the cash flows generated by other assets or groups of assets.

A CGU is a separate component of the Group engaged in supplying related products or services involving different risks and a different return from those of the other CGU.

Hence the Group's activities are divided into the following categories:

- Wind farm development and construction
- Wind energy production
- Non-wind activities

In addition, wind energy production itself is subdivided into CGU representing separate geographical areas. So far, the only separate geographical areas are France and Germany, the only countries with operating wind farms. However, in terms of sector analysis, the France and Germany CGU are included in the wind energy production sector.

This division by country is justified owing to the homogeneity of the transactions conducted at the farms of each country, as well as the consistency characterizing each country in terms of duration and rates of electricity sales agreements.

As a priority, impairments are posted as goodwill, and then, as the case may be, under the other assets of the CGU in proportion to their book value. Any impairment noted on goodwill is irreversible.

- **Intangible fixed assets**

Concerning the cost of acquiring the rights to operate a wind farm, the average price noted on the market is in the order of €150,000 per MW. This amount corresponds to the acquisition price of a project for which the building permit has been obtained and which is free of all claims. By using the updated operating cash flow method over the life of the operating agreements, this figure can be validated. The discount rate used shall take into account the risk-free compensation rate of long-term investments, supplemented by a risk rate valued on the date THEOLIA takes control.

2.9. Inventory and work in progress

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

The cost of inventories of commodities, goods and merchandise and other supplies consists of the purchase price, not including taxes, of the commodities, direct labor, other direct costs and production overhead less any reductions, discounts or rebates obtained, plus ancillary purchasing costs (transport, unloading costs, customs duties commissions on purchases, etc.). Inventories are valued according to the “first in first out” method.

The inventories recognized by the Group represent some wind projects in development on which the Group reserves the possibility of a disposal after they are commissioned. Their net liquidation value is determined based on their degree of progress and on the latest transactions conducted in that business sector. The Group analyzes this net production value at least once a year and more frequently using an impairment index. Impairments are eventually recognized on projects the development of which is not certain and for which the probability of operation, either by the Group or by a third party, is not sufficient.

Wind farm developments are considered intangible assets if the group establishes a program support corporation designed to shelter the rights from the development in order to operate them itself.

As long as this decision is not made, development costs are treated as inventory and work in progress.

2.10. Financial assets and liabilities

Financial assets include capital assets (unconsolidated equity interests and other equity interests), loans and financial borrowings as well as asset derivatives.

Financial liabilities include borrowings and financial debts, bank loans and liability derivatives.

Financial assets and liabilities are recorded on the balance sheet under current/non-current assets and liabilities depending on whether or not their maturity is more than one year, with the exception of derivatives classified as current items.

- **Financial assets and liabilities at fair value with change in profit/loss**

Financial assets and liabilities with change in profit/loss are designated as such when the operation is initiated.

These assets are posted at their acquisition cost and are valued at the end of every fiscal year at their fair value. Changes in that fair value are posted as profit or loss under the heading “Other financial income and expenses.”

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

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

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

- **Held-to-maturity financial assets**

This category includes fixed maturity assets acquired that the Group has the intention and the ability to hold until maturity. These assets are posted at the amortized cost, and the interest posted at the effective interest rate is recognized as income under “Other financial income and expenses.”

- **Financial loans and receivables**

Financial loans and receivables are valued at the amortized cost less impairment, if any. The interest valued at the effective interest rate is posted as income or expense under “Other financial income and expenses.”

- **Available-for-sale financial assets**

Available-for-sale financial assets include unconsolidated equity interests, as well as investment securities. They are valued at the end of every fiscal year. Unrealized gains or losses are posted under shareholders' equity.

When there is an active market, the fair value corresponds to the market value. If not, the fair value is obtained from discounted cash flows. If such valuations prove impossible, then the value used corresponds to the acquisition cost, less any impairment noted.

- **Financial liabilities and operating liabilities**

Financial liabilities and operating liabilities are valued at the amortized cost. Interest calculated according to the effective interest rate method is booked under the heading "Cost of gross financial debt" on the income statement.

- **Derivatives**
  - **Type**

The group may resort to derivatives (swaps/caps) as a hedge against the interest rate risk resulting from its variable rate financing policy.

  - **Valuation and recognition**

Derivatives are recognized initially at the acquisition cost. Subsequently they are assessed at their fair value. Changes in the fair value of the derivatives are posted as income unless such instruments are designated as cash flow or investment hedging instruments. In that case, changes in fair value are posted directly under shareholders' equity for that part of the hedge deemed effective. The ineffective part is maintained under financial income or expense.

  - **Qualified hedging derivatives**

As of December 31, 2007, derivatives contracted by the Group are not considered hedging instruments from an accounting standpoint.

2.11. Trade and other accounts receivable

Trade receivables come from sales of goods and services produced by the Group in the course of its business. The other accounts receivable include mainly debts related to taxes (VAT accounts) or employee benefits. These assets are assessed and accounted for initially at their fair value.

An impairment is stated when there are objective indicators showing that the amounts owed cannot be recovered fully or partially. In particular, to assess the recoverable value of trade receivables, the balances due at closing are examined individually, and the necessary provisions are stated if there appears to be a risk of non-recovery.

2.12. Cash and cash equivalents

The heading "Cash and cash equivalents" includes cash on hand as well as highly liquid short-term investments subject to a negligible risk of a change in value.

Short-term investments are valued at their market value on the closing date. Changes in value are recognized as income from cash and cash equivalents.

Bank overdrafts are posted as liabilities under the heading "Current financial liabilities."

2.13. Share capital

Ordinary shares are classified as equity instruments.

Costs directly attributable to the issuance of new shares or options are recognized as equity and deducted from the proceeds of the issue, net of tax.

Shares in the THEOLIA Company held by the Group are deducted from shareholders' equity until the shares are cancelled or sold. In the event of the sale of the shares, the proceeds, net of costs directly attributable to the transaction and the associated tax impact, are included in the Group share of attributable equity.

THEOLIA is not required to meet capital adequacy ratios.

The Group does not select certain items comprising the equity as representative of the capital managed (equity component of the convertible bond, income and expenses recorded directly as shareholders' equity).

2.14. Stock warrants and bonus shares

- **Stock warrants**

The Group grants stock warrants to some members of the staff and members of the Board of Directors. Those transactions the payment of which is based on shares and which are paid in equity instruments are valued at the fair value (excluding the effects of the acquisition terms other than market conditions) on the date granted. The fair value determined on the acquisition date is booked as expenses according to the straight-line method over the rights acquisition period, based on the number of shares the Group expects to have to issue, adjusted for the effects of the terms of the rights acquisition other than market conditions.

The fair value is assessed using the most appropriate model (Black-Scholes-Merton or binomial). The expected life used in the model was adjusted based on estimates by the management, the effects of non-transferability, and performance and disclosure restrictions on of the staff.

- **Bonus shares**

The Group grants bonus shares to some of its employees. The value of those shares is determined at the price on the day granted.

- **Accounting treatment**

The benefit corresponding to the rights granted in the form of stock warrants or bonus shares is booked, depending on the recipients:

  - As personnel costs,
  - Or as other operating income and expenses.

Only the programs subsequent to November 7, 2002 have been recorded.

2.15. Employee Benefits

- **Types of plans**

Under legal and customary obligations, the Group participates in supplemental pension plans or other long-term benefits for employees. The Group offers these benefits through defined contribution plans.

The only defined benefit plans concern benefits payable on retirement paid to the employees of the entities located in France.

Under defined contribution plans, the Group has no obligation other than paying the contributions. Contributions paid to the plans are recorded as expenses for the period.

- **Nature of commitments**
  - **Severance pay**

Severance pay is stipulated under the collective agreement applicable in the Group and refers to pension or retirement payments made in the event of voluntary or involuntary retirement. Retirement pay is part of the defined benefit plan.

  - **Supplemental pension plans**

The Group has not subscribed to any supplemental pension plan for its employees in addition to the legal minimum pension.

- **Valuation of commitments**

Contributions related to defined contribution plans are recorded as expenses as they fall due.

Commitments resulting from defined benefit plans, as well as the cost thereof, are calculated according to the projected unit credit method. Valuations are made every year. Actuarial calculations are provided by outside consultants.

These plans are not funded, and this commitment is not recorded as a liability on the balance sheet. The main plan concerns retirement pay. The actuarial differences result mainly from changes in assumptions and from the difference between the results according to the actuarial assumptions and the actual results of the defined benefit plans. These actuarial differences are recorded directly as profits or losses for the period. The expense recorded on the income statement as an operating expense for defined benefit plans includes the cost of services rendered during the period, the cost of past services, actuarial differences, as well as the effects of any reduction in or liquidation of the plan, as the case may be.

The financial cost of eliminating the discount rate for this provision, given that it is immaterial, is posted under personnel costs in operating income (expense) for the period.

Since the creation of the Group, there have not been any changes in the defined benefit plans within the Group generating any cost for past services.

In connection with the preparation of the opening balance sheet in IFRS as of July 1, 2004, the THEOLIA Group used the option of IFRS 1, which allows it to account for all actuarial differences as of that date as a deduction from shareholders' equity.

2.16. Other provisions

A provision is recorded when, at the close of the period, the Group has a current obligation (legal or implicit) stemming from past events, and when it is probable that an outlay of resources representing future economic benefits will be necessary to pay off the obligation.

Provisions are updated if the time effect is significant. An increase in the provision to account for the time elapsed is then posted under financial expenses.

In a restructuring, a provision can be recorded only if the restructuring and a detailed plan have been announced or if performance begins at the close of the period.

A provision is set up for disputes (mainly labor) if the Group has an obligation towards a third party at closing. The provision is valued based on the best estimate of foreseeable expenses.

There is no provision for dismantling costs in that the group believes those costs are immaterial (in the order of €30,000 to €40,000 per mast, amounts noted in France and Germany) and remain below or equal to any amount that would result from dismantlement.

Under current circumstances, no cost would be involved if the installed windmills were dismantled.

2.17. Borrowings

Borrowings are posted at the original fair value, less associated transaction costs. These costs (loan issuance costs and premiums) are accounted for in the calculation of the amortized cost according to the effective interest rate method.

At every closing, financial liabilities are then assessed at their amortized cost according to the effective interest rate method.

Borrowings are broken down into the following:

- Current liabilities for that portion to be reimbursed within twelve months after closing.
- And non-current liabilities due in over twelve months.

Convertible bonds are analyzed as hybrid instruments, with a debt component and an equity component. After calculation of the net cost of issue fees (amortized cost),

- The debt component is valued in comparison to the fair value of the debt instrument, based on market conditions on the issue date.
- The equity component is valued by the difference between the amortized cost and amount of the debt instrument, net of tax.

2.18. Trade and other accounts payable

Commercial liabilities and other accounts payable are accounted for at the historical cost.

2.19. Deferred taxes

The heading "tax expense" includes the tax payable for the period and the deferred tax included in the income for the period.

Deferred taxes are stated using the liability method for time differences existing at closing between the assets and liabilities tax base and their book value as well as on tax losses. No deferred tax liabilities are recorded on goodwill.

A deferred tax asset is recorded for tax losses and unused tax credits if it is probable that the Group will have future taxable income to which these tax losses and unused tax credits can be charged.

Deferred tax assets and liabilities are assessed at the tax rates expected to be applied to the period during which the asset will be capitalized or the liability paid, based on the tax rates (and tax regulations) adopted or nearly adopted as of the closing date.

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

The deferred tax payable is recorded as income or expense on the income statement unless it relates to a transaction or an event that is accounted for directly in shareholders' equity.

Deferred taxes are entered under special balance sheet headings included in non-current assets and liabilities.

2.20. Calculating current operating income

The income statement is presented by type of expense

Current operating income corresponds to operating income adjusted for other unusual or rare instances of non-current income and expenses, i.e.:

- o Impairment of goodwill and fixed assets noted in impairment tests according to IAS 36.
- o Restructuring expenses or expenses related to workforce adaptation measures in significant amounts; or concerning major events or decisions

o Dilution profits and losses

- o Income and expenses resulting from a dispute in a significant amount, from deployment or major capital operations (cost of consolidating a new business, etc.)

2.21. Earnings per share

The diluted earnings per share are calculated in accordance with the provisions of IAS 33 “Earnings per share.” They are calculated by taking into account the maximum number of shares outstanding.

2.22. Segment reporting

- **Primary reporting level: activity**

The Group is engaged in the so-called Wind business segments, i.e.:

- o The construction of wind energy production facilities for third parties or for the Group. This activity includes “development.”
- o The operation of wind farms.

And in the non-Wind segment, corresponding to other activities, i.e.:

- o Electricity production from biomass and co-generation techniques,
- o Electricity production from peaking units,
- o Waste treatment, air quality measuring, sludge treatment.

- **Secondary reporting level: geographical**

Segment information is also presented by geographical sector, with the zones corresponding to the product sales regions. These regions are listed below.

o France ;

o Germany

o Rest of world.

The segment report presents by business sector, information on products and results as well as some information on assets, liabilities and investments.

Segment assets are operating assets used by a given segment in the course of its operating activities. These include attributable goodwill, tangible and intangible assets, as well as the current assets used in the segment’s operating activities. They do not include deferred tax assets, other equity interests or non-current receivables and other financial assets. Those assets are grouped together on the line “assets not allocated.”

Segment liabilities are liabilities resulting from the activities of a segment that are directly attributable to that segment or that can be reasonably charged to it. These include current and non-current liabilities with the exception of financial liabilities and deferred tax liabilities. Those liabilities are grouped together on the line “liabilities not allocated.”

2.23. Pro forma reporting

The Group’s pro forma financial statements are prepared whenever acquisitions and/or sales cause a change of more than 25%. The information presented concerns the activity of the current year.

3. Estimates and uncertainties

Because of preparing the financial statements in accordance with the IFRS system of reference, the Group's Management made estimates and formulated assumptions affecting the book value of some assets and liabilities, income and expenses, as well as the information given in some notes to the financial statements.

The principal assumptions are listed below:

- Probabilities of success and commissioning of the different wind projects;
- Discounting assumptions made in the different valuation models selected;
- Financing assumptions for the different wind projects.

The financial statements and information subject to significant estimates concern namely intangible assets, tangible assets, goodwill, other non-current assets, derivatives, contingency provisions and deferred tax payments.

As these assumptions are uncertain in nature, outcomes may deviate from these estimates. The Group reviews its estimates and assessments regularly so as to take into account past experience and incorporate any factors deemed relevant as regards economic conditions.

Some of the principles used call for the judgment of the Group's Management in the choice of appropriate assumptions for calculating financial estimates, which by nature involve a certain degree of uncertainty. These estimates are based on comparable historical data and on different assumptions which, given the circumstances, are considered the most reasonable and the most probable.

The Management presents below the accounting principles used by the Group in preparing the consolidated financial statements, which involve the exercise of its judgment and the use of estimates, with a significant impact on the consolidated financial statements in IFRS.

3.1. Definite-life tangible and intangible assets

The Group uses estimates and must use certain assumptions aimed at (i) evaluating the expected life of the assets in order to determine their depreciation or amortization period, and (ii) to Note any impairment on the balance sheet value of all assets

The estimates used to determine the expected life of the assets are applied by all the entities in the Group.

To make certain that its balance sheet assets are valued properly, the Group regularly reviews certain indicators that might require an impairment test.

Calculating the recoverable value of an asset or a group of assets may require the Group to use estimates, to determine the amount of future cash flow expected from an asset or a group of assets, as well as the adequate discount rate to calculate the present value of those flows.

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

3.2. Impairment test on goodwill and indefinite-life intangible assets

Goodwill, indefinite-life intangible assets and development projects in progress are subject to an impairment test every year at closing, and whenever indicators show that an impairment might have occurred.

These impairment tests require the use of assumptions that are defined by the Group's Management.

The Group's Management believes that performing annual tests is a matter of judgment involving estimates because determining recoverable values implies the use of assumptions concerning 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;
- 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 for calculating the recoverable value of its assets are based on past experience and on external data. To determine the future growth rates of the income generated by a specific asset, the operating rates and the operating cash flows generated by a specific asset, the Group used the budgets of every entity serving as a basis for estimating future cash flows for the next five years. For the following periods, the fifth year's assumptions are renewed.

3.3. Deferred taxes

The recoverable value of the deferred tax assets is revised on every closing date. That value is reduced if it is no longer probable that a sufficient taxable income will be available to allow the use of the benefit related to all or part of those deferred tax assets.

The Management of the Group must therefore identify the deferred tax assets and liabilities and determine the amount of the deferred tax assets booked. When a subsidiary has recently recorded tax losses, the existence of a taxable income in the future is assumed to be improbable, unless the recognition of a deferred tax asset is justified by:

- Losses related to the occurrence of exceptional circumstances that will not recur in the near future, and/or
- The prospect of exceptional gains, and
- Expected future results from long-term contracts.

3.4. Post-employment benefits

Determination by the Group of the provision for pensions and similar benefits and the corresponding expense depends on the assumptions used by the actuaries to determine those amounts. Those assumptions are described in Note 2.15 of the Group's consolidated financial statements. They include the discount rate and the salary change rate. Those assumptions used to calculate commitments for pensions and similar benefits are determined based on the Group's experience and on external data.

4. Management of risk related to financial instruments

4.1. Credit risk

According to IFRS 7, credit risk represents the risk of financial loss for the Group if a client or a counterparty to a financial instrument were to violate its contractual obligations.

In terms of its control of the risk of unpaid accounts, and more specifically in terms of its wind farm trading business, the Group also sees to it that it neither creates nor engages in dependence with respect to any of its clients. Today, these strategies enable it to identify and better manage its inherent exposure in these activities.

Furthermore, the Group regularly examines the financial soundness of its clients, taking into account their financial position, past experience and other factors.

Most trade receivables are paid within two months.

4.2. Liquidity risk

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 Management manages the Group's net liquidity based on estimates of anticipated cash flows. The Group's cash and cash equivalents are held in top ranking regulated financial institutions.

4.3. Foreign exchange risk

Given its strong presence in the Euro zone, the Group still has very little exposure to foreign exchange risk. Its growth in India, Brazil, Morocco, Canada and some European countries outside the Euro zone will gradually increase that exposure.

In general, the foreign exchange risk is partially managed by a management of expenses and income in the currency of the entity concerned.

4.4. Interest rate risk

The financing of projects implemented by the Group, particularly for wind farms, involves the substantial use of gearing. A significant increase in interest rates can therefore have an impact on the profitability of the Group's future projects.

In order to limit that risk, the Group has implemented an interest rate hedging policy through interest rate swap agreements. From a financial standpoint, arranging these swaps makes it possible to convert variable rate loans to fixed rate loans and to protect against fluctuations in the interest amount.

Power plants in operation have long-term fixed rate loans. In general, banking institutions ask for a hedge of 100% of the amount of financing, over the entire life of the loan.

The Group does not apply hedge accounting.

5. Principal events characteristics of the period

- **THENERGO registered on Alternext**

THEOLIA Benelux, renamed THENERGO, comprises all the THEOLIA Group's non-wind activities with the exception of Environmental activities and Dispatchable power plants.

On June 14, 2007, the THENERGO Company was registered on the Alternext by Euronext Paris market. This was followed by a reserved capital increase in the amount of €65 million on June 18, 2007. Following those operations, THEOLIA's stake fell from 91.01% to 35.20%.

In connection with those external growth operations, the THENERGO Company had to hold a public offering to new partners. As of December 31, 2007, THEOLIA's stake in THENERGO is 29.19%.

This dilution, which was done in several steps, resulted in a profit of €22,981,000.

- **Partnership with General Electric**

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

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

GE Energy Financial Services also aimed to sustain THEOLIA's strong growth by subscribing to a reserved capital increase of 20 million euros in exchange for 1,212,000 new shares. An award of options (stock warrant) will enable GE Energy Financial Services to acquire 3,000,000 additional THEOLIA shares.

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

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

Under this agreement, THEOLIA and GE Energy Financial Services should be collaborating in different areas. On the one hand, GE Energy Financial Services will offer THEOLIA as its first priority any opportunity to develop wind farms in the 27-country EU. On the other hand, THEOLIA will benefit from the expertise and the skills of the GE Group in terms of project financing. There are also plans for THEOLIA to access the products and services of the GE Group in the area of energy.

- **Creation of THEOLIA Greece**

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

- **Creation of THEOLIA Emerging Markets**

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

- **Issuance of a loan convertible to stock / OCEANE bond**

In October 2007, THEOLIA issued OCEANE convertible bonds for a total of €240,000,000.

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

On November 23, 2007, THEOLIA acquired an Italian developer, the group MAESTRALE GREEN ENERGY. This acquisition was concluded at a total price of €6,761,372. All the projects developed by the Company are located in Italy. On the acquisition date the MAESTRALE GREEN ENERGY project portfolio represented 500 MW.

THEOLIA signed compensation agreements with the sellers of MAESTRALE GREEN ENERGY in the event the development operations succeed. These success fee agreements call for the payment of a sum when the different permits are received definitively.

The accounting treatment used depends on the degree of progress of the projects concerned on the closing date.

When the degree of progress of a project is such that successful completion cannot be guaranteed, no liability is stated or posted.

When it becomes probable, from the standpoint of progress by the project, that compensation will be paid, then any corresponding liability shall be reported in the notes to the financial statements.

As of December 31, 2007, liabilities related to this contract amounted to €1,500,000 for the Martignano project.

Following the results of the audits prior to acquisition, the agreement signed on June 29, 2007 with the Dutch company was not renewed.

6. Post-closing events

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

On January 4, 2008, THEOLIA finalized the acquisition of Compagnie Eolienne de Détroit, which is majority-held by EDF International. This acquisition applies to 100% of the rights, and the amount of the transaction is €45,241,000. This acquisition was made in cash, and the goodwill to result is estimated at this stage at the sum of €15,700,000.

Located in Tétouan, CED owns the wind farm installed in the Kingdom of Morocco. It includes 84 wind turbines for a total installed capacity of 50.4 MW and produces around 190 MWh per year. A team of ten people has managed this farm since it was commissioned in 2000.

7. Change in the scope of consolidation

- **Scope of consolidation**

As of December 31, 2007, the scope of consolidation includes, in addition to the parent company, 112 companies in which it holds exclusive control, either directly or indirectly (compared with 92 as of December 31, 2006).

A detailed list of those companies is reproduced in Note 36 “List of group companies.”

- **Acquisitions**
    - Acquisition by contribution of operating wind farms in Germany
    - Acquisition of the Company Maestrale Green Energy and its subsidiaries
    - Purchase of an equity stake in the German Company Ecolution
    - Purchase of the remaining stake in the Canadian company THEOLIA Première Nation Inc.
    - Takeover of the Swiss Company Biocarb

- **Disposals and other changes**

(1) THENERGO division established

THEOLIA’s stake was reduced from 91.01% (as of 12/31/2006) to 29.19%.

This dilution resulted in the loss of exclusive control over the entity, and resulted in the consolidation of the THENERGO stock by the equity method.

Thus the stake in THENERGO was treated as follows:

- All the income and expenses for the period from January 1, 2007 to the date of the capital increase (June 14, 2007) posted recognized
- Income subsequent to that date for the Group share only (29.10%) recognized on the line “Income from associated enterprises”
- Recognition of the stake on the line “Associated enterprises” instead of the assets and liabilities of the THENERGO sub-group

(2) Disposal of the company Centrale Eolienne de la Fage.

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

The percentage held in TEM is 47.52%. However, based on a voting agreement made with all the shareholders of the said company, it is fully consolidated insofar as THEOLIA has control of it.

- **Pro forma reporting**

The main operation affecting the comparability of the financial statements is the operation to acquire the wind farms contributed by General Electric.

Since the consolidated balance sheet as of 12/31/2007 includes all the items concerning this acquisition, the pro forma information reported is limited to the income statement prepared on a full-year basis, as if this acquisition had been made at the start of the year.

The pro forma income statement was prepared by requesting the consolidated earnings of the companies acquired, prepared in accordance with IFRS.

	Theolia Group	Wind farms (GE)	Theolia Group pro forma
	12/31/2007	6/30/2007 (6 months)	12/31/2007
Revenues	306,481	**16,904**	**323,385**
Purchases and changes in inventory	(230,784)	-	(230,784)
External expenses	(34,746)	(2,039)	(36,785)
Taxes	(1,139)	-	(1,139)
Personnel expenses	(23,413)	-	(23,413)
Depreciation, amortization and provisions	(18,382)	(5,254)	(23,636)
		-	
Other operating income and expenses	(1,267)	(751)	(2,018)
Current operating income	**(3,250)**	**(8,860)**	**(5,610)**
Other non-current income and expenses	21,014		21,014
Operating income before impairment of goodwill	**17,764**	**8,860**	**26,624**
Impairment on goodwill *	(56,490)		(56,490)
OPERATING INCOME (after impairment of goodwill)	(38,726)	8,860	(29,866)
Cost of gross financial debt	(13,240)	(2,160)	(15,400)
Income from cash and cash equivalents	3,154	-	3,154
Net cost of financial debt	(10,086)	**(2,160)**	**(12,246)**
Other financial income and expenses	2,145	327	2,472
Portion of income from associated companies	589		589
Tax expense	(2,729)	(1,966)	(4,695)
NET INCOME	(48,807)	**5,061**	**(43,746)**
Group share	(48,262)	5,0616	(43,201)
Minority interests	(546)	-	(546)

(*) cf. Note 8

8. Business combinations

Assets and liabilities acquired previously

- **APESA (Spain)**

Calculating the definitive fair values led to a valuation of 58 MW based on €150,000 per unit. Allocation of the temporary bases was made definitively as follows:

In thousands of euros	Assets and liabilities acquired	Adjustment	Fair value of assets and liabilities acquired
Intangible assets	3	8,700	8,703
Tangible assets	1,510		1,510
Non-current financial assets	778		778
Trade receivables	69		69
Other current assets	275		275
Cash and cash equivalents	-17		-17
Non-current financial liabilities	0		0
Non-current liabilities	0		0
Trade and other payables	2,682		2,682
Tax and social liabilities	3		3
Deferred tax liabilities	0	2,900	2,900
Total net assets acquired	**-66**	**5,800**	**5,734**
Stock purchase price	9,860		9,860
Acquisition costs	259		259
Total acquisition cost	**10,119**		**10,119**
Conversion gains/losses	**10,186**		**4,385**

Residual goodwill is justified by the expected return on the construction of the Alméria wind farm, the rights to which are held by APESA.

- **Natenco**

Recognizing the acquisition of Natenco resulted in a temporary posting to the financial statements as of December 31, 2006.

Final posting takes into account the following items as intangible assets:

- Trade name: €300,000
- Management contracts: €1,400,000
- Corresponding deferred taxes: (€510,000)

Management contracts are amortized over a period of 16 years.

The residual goodwill of €75,098,000 corresponds to Natenco's ability to develop, sell and manage wind farms, and to the future profits that will result from those activities.

In thousands of euros	Natenco Gmbh Wolgast	Goodwill	Goodwill Adjustment	Price Adjustments	Allocation Goodwill	Natenco Gmbh Wolgast-allocated
Goodwill		75,715	1,400		-1,190	75,925
Intangible assets	1,273				1,700	2,973
Tangible assets	35,841					35,841
Non-current financial assets	20,008					20,008
Inventories	42,633					42,633
Trade receivables	24,179					24,179
Other current assets	11,287					11,287
Cash and cash equivalents	18,555					18,555
Non-current financial liabilities	65,941					65,941
Other non-current liabilities	12					12
Current financial liabilities	2,879					2,879
Provisions current portion	0					0

Trade and other accounts payable	55,395					55,395
Tax and social liabilities	0					0
Deferred tax liabilities					510	510
Current income tax	85					85
Total net assets acquired	**29,463**	**75,715**	**0**	**0**	**0**	**105,177**
Stock purchase price	100,285		0	0	0	100,285
Acquisition costs	4,276		0	617	0	4,892
Total acquisition cost	**104,561**	**0**	**0**	**617**	**0**	**105,178**
Goodwill	**75,098**		**1,400**	**617**	**-1,190**	**75,925**

- **Natenco SAS**

The goodwill recognized as of December 31, 2006 in the amount of €1,522,000 was increased by the additional price recognized during the period, or €3,257,000. Total goodwill amounts to €4,779,000.

No other change was made during the period. The goodwill recognized in the financial statements is final. The residual goodwill of €4.779,000 corresponds to Natenco SAS' ability to develop, sell and manage wind farms and to the future profits that will result from those activities.

- **Principal assets and liabilities acquired during the period**

Owing to the complexity of the activities acquired, identifying and evaluating the intangible assets generally requires an assessment by experts, which means that the Group cannot provide a finalized allocation of the acquisition price as of the closing date.

Therefore, for all the acquisitions described below, the definitive allocation of the acquisition price will be made no later than 12 months following the acquisition, and hence it has not yet been done.

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

In thousands of euros ***Acquisition date***	**Maestrale Group** ***11/22/2007***	**Biocarb** ***08/13/2007***	**Windwin** ***12/31/2007***	**Wind farms (GE)** ***07/02/2007***
Goodwill				
Intangible assets	2,498		0	4,590
Tangible assets	2,222	293	19,895	178,079
Non-current financial assets	3,165	8	45	376
Deferred tax assets	5		0	0
Inventories	583	15	0	0
Trade receivables	163	6	868	2,014
Other current assets	1,857	150	2,534	58,107
Cash and cash equivalents	538	456	237	10,922
Non-current financial liabilities	6,673	1,101	8,420	173,744
Other non-current liabilities	1			0
Current financial liabilities	487		23,954	17,375
Provisions	29			0
Trade and other payables	3,342	398	1,016	3,037
Tax and social liabilities	19	39	105	3,264
Deferred tax liabilities	0		2,762	1,140
Total net assets acquired	**931**	**-609**	**-12,678**	**55,528**
Stock purchase price	5,560	727		144,465
Acquisition costs	1,202	19		0
Total acquisition cost	**6,761**	**745**	**0**	**144,165**
Goodwill	**5,831**	**1,354**	**12,678**	**88,637**

The temporary goodwill from Maestrale of €5,831,000 corresponds to the ability of Maestrale to develop and sell wind farms and to the future profits that will result from those activities.

The temporary goodwill from Biocarb of €1,354,000 corresponds to the ability of Biocarb to generate profits from its bio-fuel production business and associated products

The temporary goodwill from Windwin is justified by the value of the farm compared to the market price of German wind farms.

The recognition of goodwill of €88,637,000 on the contribution operation conveying wind farms from the subsidiaries of the General Electric Group comes from the accounting treatment recommended under IFRS 3, which stipulates that the contribution must be recognized based on the fair value of the stock remitted in consideration for such contribution on the day the stock is remitted, or July 2. This fair value corresponds to the daily price.

This treatment shows goodwill of €88,637,000 of which €56,490,000 comes from the difference between the value of the stock on July 2 (€27.26) and the value of the stock defined in the contract (€16.50). The part of the goodwill corresponding to that difference, or €56.490,000, recognized at the time the operation was accounted for according to IFRS, was immediately depreciated.

This loss in value is a technical adjustment that has no effect on the Group's key indicators for the activity in 2007 or on the value and the prospects of a return on the assets acquired.

The balance of €32,147,000 corresponds to a temporary goodwill that is justified by the market value of the wind farms acquired.

Pursuant to IFRS 3, the allocation of this goodwill will be finalized in the first half of 2008.

The main aggregates of the entities acquired are listed below on a full-year basis:

In thousands of euros		Maestrale Group	Wind farms (GE)
Revenues 2007		-	30,302
Net income 2007	-	1,264	7,680

9. Goodwill

- **Analysis of the Item**

	Gross value	Impairment	Net value
Values - opening balance at 01/01/2007	**99,136**	-	**99,136**
Business combinations	108,755	(56,490)	52,265
Disposals	(15)	-	(15)
THENERGO effect	**(6,871)**	**-**	**(6,871)**
Other changes	**5**	-	5
Values - closing balance as of 12/31/2007	201,011	(56,490)	144,521

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

Therefore, the Group's activities are classified in the following categories:

- Wind farm development and construction
- Wind energy production
- Non-wind activities

In addition, wind energy production itself is sub-divided into as many CGU as there are separate geographical segments. So far, France and Germany are the only geographical segments, as they are the only countries with operating wind farms.

Categories		Gross value	Impairment	Net 12/31/2007	Net 12/31/2006
Wind farm development and construction		93,577	-	93,577	
Wind energy production activity	France	820	-	820	
Wind energy production activity	Germany	101,316	(56,490)	44,826	
Non-wind activity		5,298	-	5,298	
Total		201,011	(56,490)	144,521	973

10. Intangible assets

	Project under devel-opment	Development costs (1)	Software and associated rights	Other intang-ible assets	TOTAL
Gross values – opening balance at 01/01/2007	**40,367**	**3,758**	**327**	**5,566**	**50,018**
Acquisitions and assets generated internally	3,548	473	60	2	**4,083**
Industrial commissioning	(7,272)	7,272	-	-	**-**
Business combinations	3,326	4,608	6	17	**7,957**
Transfer of rights	(2,595)	-	(18)	-	**(2,613)**
Disposals	(2,154)	-	-	-	**(2,154)**
Effect of change in consolidation	(4,713)	-	-	-	**(4,713)**
Conversion gains/losses	5	-	-	-	**5**
Other changes	(206)	(737)	-	(64)	**(1,007)**
Gross values – closing balance at 12/31/2007	**30,306**	**15,374**	**375**	**5,521**	**51,576**
Accumulated depreciation and amortiza-tion - opening balance at 01/01/2007	**(2)**	**(55)**	**(126)**	**(2)**	**(184)**
Depreciation and amortization	(75)	(238)	(108)	(242)	**(663)**
Impairment following value test	(158)	-	-	(3,832)	**(3,9900**
Business combinations	-	-	(1)	(3)	**(4)**
Reversals of disposals	-	-	3	-	**3**
Effect of change in consolidation method	-	-	-	99	**99**
Other changes	2	(63)	-	(2)	**(63)**
Accumulated depreciation and amortiza-tion as of 12/31/2007	**(233)**	**(356)**	**(232)**	**(3,982)**	**(4,802)**
Net values - opening balance at 01/01/2007	**40,365**	**3,703**	**201**	**5,564**	**49,835**
Net values - closing balance at 12/31/2007	**30,073**	**15,018**	**143**	**1,539**	**46,774**

The acquisitions made in the period concern mainly progress on the wind projects currently being developed in France.

The facilities commissioned in 2007 include the following wind farms, representing €1,088,000:

- Les Plos wind plant: €244,000
- Moulin de Froidure wind plant: €513,000
- Les Sablons wind plant €331,000

The other facilities commissioned, representing €6,185,000, concern the Beaucaire waste treatment plant owned by the Ecoval 30 Company.

The external growth operations conducted in the period amount to €7,957,000 and concern the acquisition of the rights attached to the development of wind plants for a total cost of €7,934,000:

- Wind plants in operation (Germany): €4,608,000

- Wind plants under development (Maestrale Group): €3,326,000

The building permits for some wind plants under development (France) were revised downward in terms of the number of MW to be built, which resulted in a reduction of €2,595,000 in current intangible assets.

During the period, the Group sold several wind plants. The current development costs thus sold represent €2,154,000. The positive impact on income for the period was €685,000.

During the period, the change in the method of control of THENERGO (accounted for by the equity method) resulted in a reduction of €4,713,000 in the intangible assets posted on the consolidated balance sheet.

A 100% provision was set up for the Buchen project, the gross value of which amounts to €3,832,000, given the uncertainty regarding its completion. This project consists of the construction and operation of an eco-fuel production plant based on the reprocessing of plastics by depolymerization.

Discussions with AWN, the commodity supplier, and as such a partner in the project, and the technical partner Nilltech, a Swiss Company specializing in plastic depolymerization, are still underway.

However, before committing itself to a contract, AWN wants to validate the technology proposed by Nilltech on-site.

As a result, to date, no LAW has replaced the one that expired on May 31, 2007.

Consequently, out of caution and in the absence of a formalized legal guarantee, the group has set up a 100% impairment provision for intangible assets.

11. Tangible fixed assets

	Land	Fixtures & im-prove-ments	Project under construc-tion	Technical facilities	Assets under conces-sion	Other tangible assets	TOTAL
Gross values - opening balance at 01/01/2007	**3,343**	**569**	**30,457**	**81,023**	**-**	**8,154**	**123,546**
Acquisitions	271	499	40,421	3,588	-	2,044	**46,823**
Industrial commissioning	-	-	(50,288)	39,471	10,817	-	**-**
Business combinations	3,464	376	5,008	193,153	-	1,617	**203,618**
Disposals	(77)	-	(572)	(1,635)	(32)	(667)	**(2,983)**
Effect of change in consolidation method	-	-	(1,085)	(3,136)		(6,001)	**(10,222)**
Conversion gains/losses	-	(2)	(10)	-	-	5	**(7)**
Other changes	(1,478)	30	(218)	2,728	205	666	**1,933**
Gross values - closing balance at 12/31/2007	**5,523**	**1,472**	**23,713**	**315,193**	**10,990**	**5,818**	**362,709**
Accumulated depreciation and amortization opening balance at 01/01/2007	**(2)**	**(34)**	**-**	**(2,788)**	**-**	**(1,550)**	**(4,374)**
Depreciation and amortization	-	(273)	-	(10,990)	(743)	(608)	**(12,614)**
Impairment for losses in value	-	-	(266)	-	-	-	**(266)**
Business combinations	-	-	-	(17)	-	(11)	**(28)**
Disposals	-	-	-	3	17	359	**379**
Effect of change in consolidation method	-	-	-	430		1,099	**1,529**
Conversion gains/losses	-	-	-	-		-	**-**
Other changes	2	(30)	-	(1,459)	(44)	(667)	**(2,198)**
Accumulated depreciation and amortization -closing balance at 12/31/2007	**-**	**(337)**	**(266)**	**(14,821)**	**(770)**	**(1,378)**	**(17,572)**
Net values – opening balance at 01/01/2007	**3,341**	**535**	**30,457**	**78,235**	**-**	**6,604**	**119,172**
Net values – closing balance at 12/31/2007	**5,523**	**1,135**	**23,447**	**300,372**	**10,220**	**4,440**	**345,135**

Our of €46,823,000 in acquisitions in the period, €44,196,000 represents progress on wind projects under construction - €37,302,000 in France, €3,119,000 in Spain and €3,775,000 in Germany..

During the period, the Group finalized the construction of three wind plants in France and completed construction of the Ecoval 30 Company's waste treatment plant. The total (€50,288,000) corresponds to the following assets:

- Les Sablons Wind Plant €11,795,000
- Les Plos Wind Plant €13,163,000
- Moulin de Froidure Wind Plant €14,513,000
- Waste Treatment Plant €10,817,000

The external growth operations carried out during the period resulted in an increase in tangible fixed assets of €203,618,000, which breaks down as follows:

- Acquisition of wind farms in operation (Germany) €198,106,000
- Acquisition of wind plants under construction (Italy) €4,468,000

The disposals made in the period, or €2,983,000, are related to the following events:

- Sale of wind facilities in operation (Germany) €1,876,000
- Sale of wind facilities under construction (France) €572,000
- Sale of other PP&E €535,000

During the period, the change in the method of control of the company THENERGO (equity method) resulted in a €10,222,000 reduction in the tangible assets posted on the consolidated balance sheet.

12. Associated enterprises

As of December 31, 2007, income from equity associated enterprises represented the following companies:

€ thousands	% of control	Share of net position of associates	Share of income/loss of associates
ERNEUERBARE ENERGIE ERNTE VIER GmBH	48.00%	0	-4
ECOLUTIONS	35.21%	25,346	0
THENERGO	29.19%	37,931	593
Total at closing at 12/31/2007		**63,277**	**589**

The fair value of the Group's stake in Thenergo, calculated on the basis of the price of December 31, 2007, is €36,175,000. Based on the outlook for growth, the Group funded no provision for impairment at the end of the year. On April 11, 2008, the fair value of the interest was €49,523,000.

In 2007, this item changed as follows::

	Ecolutions	Thenergo	Thenergo interests	EEEV	Total
Value of securities at beginning of year	0	0	631	-4	627
Allocation of goodwill	10,031	2,547			12,578
Change in consolidation method of Thenergo group		26,081	-631		25,450
Acquisition of interest	15,315				15,315
Capital increase		3,657			3,657
Leysen €20,000,000 performance bond		5,838			5,838
Groups share of income/loss for the year	0	-18		-4	-22
Share-based payments		775			775
Other changes		-949		7	-942
Value of securities at year end	**25,346**	**37,931**	**0**	**-1**	**63,276**

The principal financial data for the associated enterprises is as follows:

	Ecolutions	Thenergo
% of holdings	35.21%	29.19%
Financial data at 100%		
Revenues	0	20,810
Operating expenses	0	18,472
EBITDA	0	636
Net income	0	859
--Group share in consolidated income	0	-61
Goodwill	10,031	2,547
Shareholders equity at 12/31/2007	43,315	122,473
--Group share of shareholders' equity	15,315	35,384
Value of the shares of associates	**25,436**	**37,931**

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

13. Financial assets

12/31/2007	Note	Shares available for sale	Loans & receivables	Financial assets at fair value through income on option	Financial assets at fair value through income	Balance sheet total
Non-current derivative financial instruments						
Other non-current financial assets	14	1,025	43,004			44,029
Trade and other receivables	16		87,367			87,367
Current derivative instruments						0
Other current financial assets			1,128			1,128
Cash and cash equivalents	18				326,199	326,199
Total		**1,025**	**131,499**	**0**	**326,199**	**458,723**

12/31/2006	Note	Shares available for sale	Loans & receivables	Financial assets at fair value through income on option	Financial assets at fair value through income	Balance sheet total
Non-current derivative financial instruments						
Other non-current financial assets	14	1,295	19,538			20,833
Trade and other receivables	16		57,447			57,447
Current derivative instruments						0
Other current financial assets			798			798
Cash and cash equivalents	18				65,509	65,509
Total		**1,295**	**77,783**	**0**	**65,509**	**144,587**

14. Other non-current financial assets

- **Change**

	12/31/2006	Increases	Decreases	Other changes	12/31/2007
Unconsolidated shares	1,295	523	(798)	5	1,025
Related receivables	50	3,309	(3,419)	129	69
Loans	-	13	-	-	13
Other non-current receivables	16,905	37,294	(14,596)	2,013	41,616
Other financial assets	2,367	770	(86)	(2,026)	1,025
Deposits and securities	215	96	(31)	-	280
Impairment	-	-	-	-	-
Other non-current financial assets	**20,832**	**42,005**	**(18,930)**	**121**	**44,029**

As of December 31, 2007, there was no impact on income or shareholders' equity for non-current financial assets.

- **Schedule 12/31/2007**

12/31/2007	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Unconsolidated shares			**1,025**	**1,025**
Related receivables	**69**			**69**
Loans	**13**			**13**
Other non-current receivables	37,897	3,719		41,616
Other financial assets			1,025	1,025
Deposits and securities			280	280
Non-current financial assets	**37,979**	**3,719**	**2,330**	**44,029**

- **Schedule 12/31/2006**

12/31/2006	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Unconsolidated shares	798	497		1,295
Related receivables	50			50
Other non-current receivables	14,596	2,309		16,905
Other financial assets	2,112		255	2,367
Deposits and securities	31		184	215
Non-current financial assets	**17,587**	**2,806**	**439**	**20,832**

- **Analysis**

Most of the other non-current assets are represented by non-current receivables. These receivables consist of bridge loans granted by Natenco GmbH to its customers pending the implementation of their own financing (€37,897,000).

15. Inventories

	12/31/2007	12/31/2006
Wind projects	39,766	8,258
Project in other energy forms	1,635	373
Raw materials	1,730	903
Impairment	(254)	(72)
Net value	**42,877**	**9,462**

Inventories of wind projects are distributed among the following geographic areas:

- ✓ France: €7,570,000
- ✓ Germany: €29,982,000
- ✓ Rest of the world: €2,214,000

The inventory held by Germany (Natenco Gmbh) consists of wind projects under construction which are intended for sale in 2008.

The balance of the inventory shown on the Group's consolidated balance sheet for €3,365,000, consists of the non-wind operations, primarily by the company Seres Environnement , for a total of €2,306,000.

The impairment is due to wind project inventories for €161,000 and €93,000 for other inventories.

16. Trade receivables

- **Change**

	Gross value 12/31/2007	Provisions 12/31/2007	Net value 12/31/2007	Net value 12/31/2006
Trade receivables	88,076	(709)	87,367	57,447
Total	**88,076**	**(709)**	**87,367**	**57,447**

Outstanding trade receivables primarily represent the receivables on:

- ✓ wind turbine sales completed at year end by Natenco Gmbh in the amount of €62,753,000
- ✓ sales of turnkey construction contracts on behalf of third parties made by the Ventura company for €11,007,000.

The receivables provisioned represent 100% of the gross amount.

- **Schedule 12/31/2007**

12/31/20067	Less than 1 year	1 to,5 years	More than 5 years	TOTAL
Trade receivables	87,367			87,367
Doubtful trade receivables		709		709
Total financial liabilities	**87,367**	**709**	**-**	**88,076**

17. Other current assets

	Gross value 12/31/2007	Impairment 12/31/2007	Net value 12/31/2007	Net value 12/31/2006
Suppliers, advances and deposists	8,779		8,779	4,509
Receiables on asset acquisitions	-		-	-
Tax receivables (ex. income tax)	21,856		21,856	10,253
Social security receivables	33		33	29
Current accounts	6,500	-	6,500	505
Other receivables	17,030	(1,097)	15,933	3,254
Prepaid expenses	3,891		3,891	
Currency translation adjustments – assets	72		72	1690
Total	**58,161**	**(1,097)**	**57,064**	**20,240**

The tax receivables primarily represent the deductible VAT not yet recovered on purchases of equipment and work for the construction of wind farms in France and Germany.

The item Other debtors represents the receivables held on the following providers:

- ✓ FC Holding: €5,084,000
- ✓ Winvest Energy (sales of wind farm): €3,223,000
- ✓ Valorem (sale of wind farm): €1,047,000

The provisions for impairment are on receivables generated in previous years.

18. Cash and cash equivalents

	12/31/2007	12/31/2006
Marketable securities (net)	160,684	11,051
Liquid assets	165,514	54,457
Total cash and cash equivalents	**326,198**	**65,508**

Marketable securities for €156,167,000 are held by THEOLIA SA and represent completely secure investments, including:

- Secure cash Sicav investment (100% money market)
- Variable rate negotiable medium-term notes (BMTN) indexed to the EONIA
- Negotiable certificate of deposit maturing in a maximum of 3 months, with guarantee rate and capital

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

19. Capital stock

- **Number of shares outstanding**

	Par value (€)	Number of shares at 01/01/2007	Exercise of stock warrants	Exercise of bonus shares	Shares remunerating contributions	Shares issued (cash)	No. of shares at 12/31/2007
Number of shares	1	25,403,531	1,881,958	16,000	8,280,182	3,100,000	38,681,671
Number of securities	**1**	**25,403,531**	**1,881,958**	**16,000**	**8,280,182**	**3,100,000**	**38,681,671**
Share capital		**25,403,531**	**1,881,958**	**16,000**	**8,280,182**	**3,100,000**	**38,681,671**

Inc. 37,776 treasury shares

As of December 31, 2007, the capital was represented by 38,681,671 shares with a par value of €1.

Double voting rights are granted to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder who is 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.

20. Share-based compensation

- **Summary of changes in stock warrants**

	Total BSA
Stock warrants that cannot be exercised as of December 31, 2006*	**210,000**
Balance as of December 31, 2006**	2,577,697
Awarded during the year	3,430,827

Exercised during the year	-	1,669,510
Balance as of December 31, 2007		**4,339,014**

*Result of failure to meet exercise conditions

**Because of an error, the noted to the statements for the year ended 12/31/2006 presented a balance of 2,477,697 stock warrants

The 210,000 warrants that may not be exercised are warrants subject to specific conditions which were not met at December 31, 2006. As of December 31, 2007, those warrants may never be exercised.

This had no impact on the financial statements for the year ending December 31, 2007.

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

	THEOLIA		THENERGO
Amounts in euros except where otherwise indicates	Mar 21, 2007	Sept 14, 2007	June 30, 2007
Fair value of the warrant	**12.72**	**8.84**	**2.97**
Share price	**28.00**	**19.17**	**8.90**
Exercise price	**15.28**	**12.17**	**8.46**
Expected volatility	**49.41%**	**40.00%**	**41%**
Dividends expected	**0%**	**0%**	**0%**
No risk interest rate	**3.74%**	**4.08%**	**4.30%**

The expense of €7,191,000 recognized for the period reflects:

- THEOLIA:
  - Warrants granted over the period: €5,133,000
  - Warrants previously granted: €383,000
- THENERGO:
  - Warrants granted during the first half: €1,675,000

- **Details of the stock warrants**

	BSA 1	BSA 2	BSA 3	BSA 4	BSA 5	TOTAL
Subscription price	0.001	0.001	0.001	0.001	0.001	
Exercise price	2.06	2.06	2.06	2.06	2.06	
Duration	5 years from subscription					
Parity	1.187	1.187	1.187	1.187	1.187	
Expired or unable to be exercised during the year*	-	-	5,000	5,000	-	10,000
Balance as of December 31, 2006	316,652	-	36,000	120,000	120,000	592,652
Awarded during the year	-	-	-	-	-	138,465
Exercised during the year	54,465	-	-	84,000	-	454,187
Balance as of December 31, 2007	262,187	-	36,000	36,000	120,000	454,187

	BSA CS1	BSA CS2	BSA CS3	BSA CS4	BSA CS5	TOTAL
Subscription price	0.000485	0.000485	0.000485	0.000485	0.000485	
Exercise price	4.85	4.85	4.85	4.85	4.85	
Duration	5 years from subscription					
Parity	1.187	1.187	1.187	1.187	1.187	
Expired or unable to be exercised during the year*	-	50,000	50,000	50,000	50,000	200,000
Balance as of December 31, 2006	101,000	100,000	100,000	50,000	50,000	401,000
Awarded during the year	-	-	-	-	-	-

Exercised during the year	101,000	100,000	-	-	-	201,000
Balance as of December 31, 2007	-	-	100,000	50,000	50,000	200,000

	BSA bis	BSA A-MCC	BSA b-ad	BSA B-MCC	K-2006	TOTAL
Subscription price	0.00039	0.00036	0.0010245	0.001025	0.1	
Exercise price	3.90	7.275	10.245	10.245	7.44	
Exercise deadline	May 2, 2010	Nov 27, 2007	Mar 16, 2007	Mar 11, 2007	Oct 17, 2011	
Parity	1.187	1.187	1.187	1.187	1	
Balance as of December 31, 2006	769,114	-	197,657	58,720	558,554	1584045
Awarded during the year	-	-	-	-	-	0
Exercised during the year	469,114	-	197,657	58,720	558,554	1284045
Expired or not exercisable during the year*	-	-	-	-	-	0
Balance as of December 31, 2007	300,000	0	0	0	0	300000

	BSA BE 06	BSA DA06	BSA EP06	BSA JMS06	BSA JMSPC06	TOTAL
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001	
Exercise price	15.28	15.28	15.28	15.28	15.28	
Exercise deadline	Jun 1, 09	May 17, 09	May 24, 09	Jun 12, 09	Jun 11, 09	
Parity	1	1	1	1	1	
Balance as of December 31, 2006	-	-	-	-	-	0
Awarded during the year	10,000	10,000	29,093	10,000	64,000	123093
Exercised during the year	10,000	3,000	0	10,000	-	23000
Expired or not exercisable during the year*	-	-	-	-	-	0
Balance as of December 31,2007	0	7,000	29,093	0	64,000	100093

	BSA JP06	BSA LF06	BSA NS06	BSA SG06	BSA SO06	TOTAL
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001	
Exercise price	15.28	15.28	15.28	15.28	15.28	
Exercise deadline	May 31, 09	May 19, 09	May 31,09	May 16,09	May 19,09	
Parity	1	1	1	1	1	
Balance as of December 31, 2006	-	-	-	-	-	0
Awarded during the year	10,000	29,093	10,000	31,451	10,000	905,44
Exercised during the year	10,000	-	10,000	-	3,000	23,000
Expired or not exercisable during the year*	-	-	-	-	-	0
Balance as of December 31, 2007	0	29,093	0	31,451	7,000	675,44

	BSA EP07	BSA LF07	BSA SO07	BSA SG07	BSA GF	TOTAL
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001	
Exercise price	15.28	15.28	15.28	15.28	15.28	
Exercise deadline	Jan 1,10	Jan 1,10	Jan 1,10	Jan 1,10	Jun 28,09	
Parity	1	1	1	1	1	
Balance as of December 31, 2006	-	-	-	-	-	0
Awarded during the year	29,093	29,093	29,093	31,451	18,000	136730
Exercised during the year	-	-	-	-	-	0
Expired or not exercisable during the year*	-	-	-	-	-	0
Balance as of December 31, 2007	29,093	29,093	29,093	31,451	18,000	136730

	BSA JMS PC 800M
Subscription price	0.0001
Exercise price	12.17
Exercise deadline	Dec 31,12
Parity	1
Balance as of December 31, 2006	-
Awarded during the year	80,460
Exercised during the year	-
Expired or not exercisable during the year*	-
Balance as of December 31, 2006	80,460

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

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

BSA CS 3: hold an office within the company as of December 31, 2007

BSA CS 4: hold as office within the company as of December 31, 2008

BSA CS 5: hold an office within the company as of December 31, 2009

BSA LF/SG/EP/SO 07: on the exercise date, hold the office of director within the company

BSA 2003-5: hold an operational position in the company at January 1, 2008

- **Bonus shares**

Bonus shares were allotted on the following dates:

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

representing a total of 598,715 shares

The bonus share allotments were valued at the price on the allotment date (€12 for the 2006 allotment and €18.45 for the February 2007 allotment respectively).

The expense of €6,245,000 recognized for the period represents the:

- shares allotted in 2006: €4,047,000
- shares allotted in 2007: €2,198,000

The expense remaining to be charged for the bonus shares totals:

- Year 2008: €941,000
- Year 2009: €94,000

21. Financial liabilities

The different categories of financial liabilities at December 31, 2007 were as follows:

In € thousand	Note	Dec. 31, 2007			Dec 31, 2006
		Current	Non-current	Total	Total
Financial debt	22	90,772	458,624	549,396	127,405
Suppliers and other payables	26	146,107	-	146,107	122,716
Total		**236,879**	**458,624**	**695,503**	**250,121**

All the financial liabilities of the Group, with the exception of the derivatives, are valued on the closing date at the amortized cost determined using the effective interest rate method.

A total interest expense of €13,240,000 was recognized in financial income/expense for the financing cost.

22. Financial debt and derivatives

- **Net debt (current/non-current)**

12/31/2007	Current	Non-Current	TOTAL
Borrowings from credit institutions	89,495	259,365	348,860
Convertible bond	816	196,195	197,011
Debt on finance leases	7	19	26
Sub-total borrowings	**90,318**	**455,579**	**545,897**
Bank overdrafts and equivalent	278	-	278
Other financial liabilities	176	3,045	3,221
Total financial liabilities	**90,772**	**458,624**	**549,396**

- **Change in borrowings and financial debt**

	Borrowings from credit institutions	Convertible bond	Debt on finance leases	Bank overdrafts & equiv.	Other financial liabilities	TOTAL
Values at 01/01/2007	**116,506**	**1,300**	**2,790**	**2,367**	**4,442**	**127,405**
Increase	71,769	235,314	891	-	1,910	**309,884**
Redemption	(19,714)	(1,372)	-	(887)	(1,731)	**(23,704)**
Business combinations	183,834	-	-	6	1	**183,841**
Change in consolidation	(3,520)	-	(3,656)	(1,208)	(1,496)	**(9,880)**
Reclassification of the option in shareholders' equity		(38,231)				**(38,231)**
Other changes	(15)	-	-	-	89	**(38,231)**
Values at 12/31/2007	**348,860**	**197,011**	**26**	**278**	**3,220**	**549,395**

The increase of €309,884,000 in the financial debt primarily reflects the following transactions:

- Drawdown to finance the wind turbines under construction: €50,559,000
- Drawdown to finance the activities to sell wind farms: €9,841,000
- Drawdown to finance non-wind activities (solar): €10,508,000
- Issue of a convertible bond: €235,314,000

Repayments made over the period were:

- the bond issued by the THERBIO company: €1,372,000
- the borrowings established in the wind farms: €18,574,000
- the borrowings established in the non-wind activities: €1,139,000

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

The other repayments reflect decreases in current accounts.

The transactions to acquire operating wind farms in Germany represent an increase of €176,416,000 in the financial debt on the balance sheet.

The transactions to acquire wind farms under construction (Italy) represented an increase of €7,418,000 in the financial debt on the balance sheet.

Changes in the scope of consolidation reflect the change in THENERGO (equity method as of June 14, 2007).

- **Analysis of rates by type**

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

- **Analysis by maturity**

	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Borrowings from credit institutions	89,495	106,620	152,745	348,860
Convertible bond	816	-	196,195	197,011
Debt on finance leases	7	19	-	26
Sub-total borrowings	**90,318**	**106,639**	**348,940**	**545,897**
Bank overdrafts and equivalent	278	-	-	278
Other financial liabilities	176	-	3,045	3,221
Total financial liabilities	**90,772**	**106,639**	**351,985**	**549,396**

Convertible bond

The OCEANE convertible bond was issued at the end of October 2007 under the following conditions:

Number of bonds:	11,538,462
Amount of the initial issue:	€190,000,000
Extension clause:	€25,000,000
Overallotment option:	€25,000,000
Amount redeemable on January 1, 2014	
(if no conversion):	€260,111,549
Duration of the bond:	October 30, 2007 to January 1, 2014
Annual interest:	2.00%
Gross actuarial yield	3.25%

The allocation between debt instrument and shareholders' equity was based on a market rate, including a spread of 200 basis points, on the basis of a sampling of companies which have conducted equivalent financial operations.

Amount repayable:

The Group can make early redemption, at its initiative, on or after January 1, 2012.

Year	Amount redeemable	No. of secu-rities	Unit value
01/01/2014	260,111,549	11,538,462	22,5430
01/01/2012	253,151,549	11,538,462	21,9398

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

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

Based on the issue costs for €6,632,000, the effective interest rate is 7.10% and the allocation is as follows:

- equity component: €26,502,000
- debt component (net of the call and put): €193,617,000
- Deferred taxes: €13,249,000

The put established on this contract may be exercised in 2013.

- **Derivative financial instruments**

The derivative instruments contracted to manage the rate risk on the variable rate borrowings are recognized at their fair value as of December 31, 2007 and recognized through income.

The valuation of the rate swaps at December 31, 2007 as recognized was €1,128,000 (at December 31, 2006: €798,000).

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

Pursuant to the provisions of IFRS 7, the fair value of the financial assets and liabilities, and their book value on the balance sheets, is summarized in the table below.

In € thousand	12/31/2007		12/31/2008	
	Book value	Fair value	Book value	Fair value
ASSETS				
Assets at amortized cost				
Trade and other receivables	87,367	87,367	57,447	57,447
Other non-current financial assets	44,030	44,030	20,833	20,833
Positive fair value of hedging derivatives	1,127	1,127	798	798
Cash and cash equivalents	326,199	326,199	65,509	65,509
LIABILITIES				
Liabilities at amortized costs				
Financial debt	549,118	549,118	125,038	125,038
Bank overdrafts and equivalents	278	278	2,367	2,367
Trade and other payables	146,108	146,108	122,716	122,716

24. Provisions for employee benefits

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

	12/31/2007	12/31/2006
Pension expenses	**108**	**112**

- **Change in the provision**

	12/31/2007	12/31/2006
Provision at beginning of year	**142**	**30**
Expense for the year	108	112
Benefits or contributions paid by the employer		
Business combinations	1	
Provision at end of year	**251**	**142**

- **Main actuarial assumptions**

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

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

25. Other provisions

	Provision for disputes	Provision for cash instruments	Other provisions	TOTAL
Values at beginning of year 01/01/2007	**326**	**-**	**398**	**724**
				-
Increases	471	-	167	638
Reversals	(188)	-	(38)	(226)
Business combinations	-	-	60	60
Currency translation adjustment	-	-	-	-
Other changes	-	-	(96)	(96)
Values at 12/31/2007	**609**	**-**	**491**	**1,100**
Current portion	376	-	60	436
Non-current portion	233	-	431	664

The increases for the year are for employee disputes in the amount of €391,000. The balance of €80,000 represents an additional provision for losses at termination on the non-wind contracts.

The other increases primarily represent the provisions for replacement of assets under licenses (non-wind activity).

The reversals primarily represent the provisions for losses at termination on the non-wind contracts.

26. Suppliers and other creditors

	12/31/2007	12/31/2006
Advances and installments received	1,034	13,727
Suppliers	106,088	53,622
Other	38,986	55,367
Total	**146,108**	**122,716**

Supplier liabilities represent the construction/sale of wind farms in the amount of €87,291,000, which can be analyzed as follows:

- France: €20,499,000
- Germany: €62,339,000
- Rest of the world: €4,453,000

The other liabilities primarily reflect the following operations:

- Debts on acquisition of companies (Germany): €21,525,000
- Debts on acquisition of companies (Spain): €4,005,000
- Debts on acquisition of companies (France): €3,259,000

	12/31/2007	12/31/2006
Social security liabilities	1,164	1,106
Tax liabilities	27,303	14,943
Total	**28,967**	**16,049**

The tax liabilities primarily reflect the VAT collected on sales completed during the year.

27. Segment information

- **Segmentation by businesses**

The Group operates in Wind business sectors:

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

And in the non-Wind sector, which represents the other activities:

- o electricity production using biomass and cogeneration technologies;
- o electricity production using peaking units;
- o waste treatment, air quality measurements, sludge treatment.

The business of Natenco is extremely seasonal. In effect, potential customers benefit from tax advantages and, therefore, have an interest in investing at the end of the tax year. Therefore, the first three quarters are devoted to research on operations and customers, and the final quarter represents almost all the sale transactions and, therefore, the recognition of revenues.

THENERGO's revenues include €835,000 for an engineering service sold to a non-group company which supplies a turnkey plant, including these services, to a company of the THENERGO Group.

The comparative data presented below corresponds to the accounts at December 31, 2006 for the balance sheet and the income statement.

The data for the income statement presents the expenses specific to the holding company separately as of 2007. These expenses were previously allocated at a fixed rate amongst the three business segments. As a result, the comparative data has been restated.

12/31/2007 (in thousands of euros, with the exception of employees)

Statement of income	Wind construction sale	Wind-based electricity sale	Non-wind activities	Holding	Inter-segment eliminations	Total
Revenues	249,321	53,912	34,234	5,589		**324,057**
Inter-segment sales	(30,899)	-	(88)	(5,589)		**(36,576)**
Total	**218,422**	**53,912**	**34,146**	-		**306,481**
Income from continuing operations	**11,073**	**6,390**	**(5,573)**	**(15,141)**	**0**	**(3,250)**
Other non-current income and expenses	181	123	(1,1817)	22,526	-	21,014
Impairment of goodwill				(56,490)		(56,490)
Operating income(loss)	**11,254**	**6,513**	**(7,389)**	**(49,105)**	**0**	**(38,726)**
Share in income/loss of associates		(4)	593	-		**589**
Balance sheet						
Non-currents assets	**170,185**	**415,705**	**104,563**	**(45,282)**	**-**	**645,169**
Non-current assets not allocated	*20,942*	*(2,001)*	*78,989*	*10,812*		*108,741*
Current assets	**260,312**	**62,347**	**16,408**	**175,752**		**514,824**
Inc. current assets not allocated						
Total consolidated assets	**430,498**	**478,052**	**120,972**	**130,470**	**-**	**1,159,994**
Non-current liabilities	**33,407**	**233,507**	**7,474**	**203,320**	**-**	**477,707**
Non-current liabilities not allocated	*33,374*	*233,242*	*6,868*	*203,308*		*476,792*
Current liabilities	**176,729**	**62,990**	**21,964**	**17,534**		**279,216**
Inc. current liabilities not allocated	*61,009*	*27,824*	*1,121*	*818*		*90,772*
Total consolidated liabilities	**210,136**	**296,496**	**29,438**	**220,854**	**-**	**756,923**
Other information						
Acquisitions of tangible and intangible assets	11,999	38,040	698	169		**50,906**
Employees at end of period	115	-	92	30		**237**

Comments on the income statement

Construction and sale of wind farms

The "construction/sale of wind farms" business generates revenues of €249,321,000 compared with €56,888,000 as of December 31, 2006 (18 months)

The revenues can be analyzed as follows:

- Ventura SA €47,579,000
- Natenco Gmbh €201,742,000

This increase was primarily generated by:

- The full year effect of the consolidation of the German subsidiary Natenco;
- The increase in sales of farms executed by Natenco and Ventura.

Income from continuing operations totaled €11,073,000 and results primarily from the increase in sales which generated a larger margin volume than the previous year.

Sale of wind-based electricity

Revenues from the sale of electricity produced by wind energy totaled €53,912,000 compared with €5,935,000 at December 31, 2006 (18 months).

This strong increase was driven by the following factors:

- Commissioning during the year of wind farms developed by the Group in France (35.50 MW) €1,213,000
- Full year consolidation of the wind farms acquired the previous year €8,175,000
- Full year consolidation of Natenco Gmbh €27,693,000
- Acquisition of the wind farms completed during the year in the context of the contribution made by GE Energy Financial Services (165 MW+1.50 MW commissioned after the acquisition) €13,398,000

Non-wind activities

The non-wind businesses generated revenues of €34,234,000, up from €14,974,000 as of December 31, 2006 (18 months).

This change is due primarily to the following factors:

- Sale of a photovoltaic facility in Germany €14,400,000
- Full year effect of the consolidation of SERES Environnement associated with an increase in activity €4,004,000

The change in the consolidation method for Thenergo (full consolidation over 6 months) associated with an increase in the activity had an impact of €2,676,000 (7 324 – 4 648) on revenues.

Income from continuing operations takes into account a provision for impairment of €3,832,000 on the Buchen project.

"Holding" activity:

The "Holding" segment includes the following entities:

- THEOLIA SA
- Theolia Iberica
- TEM

Revenues consist of management fees reinvoiced to the subsidiaries by THEOLIA, which are inter-segment income.

The loss from continuing operations totaled €(15,141,000), including €(14,685,000) for THEOLIA.

The expenses presented in the holding segment represent the following activities:

- General administration of the Group (strategy)
- Relations with the stock market and investors
- Acquisition transactions
- Operations to find financing on the market.

Share-based compensation to the directors of the THEOLIA company represented €(4,803,000).

Other operating income and expenses in the amount of €22,526,000 correspond to the dilution profit following Thenergo's registration on Alternext for €22,981,000.

The dilution profit was recognized in the Holding segment because it is the result of financial engineering and does not reflect the activity of the non-wind sector.

The impairment of goodwill related to the contribution of the wind farms in the amount of €(56,490,000) is allocated to the "Holding" sector.

Comments on the balance sheet

Construction/sale of wind farms

The segment holds the assets of the companies that sell farms and the assets of the companies that support the current development and construction program.

Non-current assets are:

- Goodwill €93,577,000
- Projects in progress €55,667,000

Goodwill primarily reflects Natenco Gmbh in the amount of €75,925,000.

Current assets include:

- Inventories of current projects €39,690,000
- Trade receivables €71,581,000
- Cash €115,432,000

The cash position and the trade receivables result primarily from the sale of wind farms in Germany.

The liabilities are primarily the borrowings intended to finance the sector's activity in the amount of €91,212,000 and the debts to suppliers and other creditors in the amount of €79,880,000.

Sale of wind-based electricity

The sector holds the assets of the operating wind farms.

Non-current assets consist of:

- Goodwill €45,647,000
- Wind facilities €315,570,000

Goodwill is primarily related to the acquisition of the following wind farms:

- Farms contributed by General Electric €32,146,000
- Windwin wind farm €12,680,000

Current assets include €30,607,000 in cash generated by the power production activity.

Liabilities consist primarily of the borrowings intended to finance the construction of wind farms. At the end of the year, they totaled €253,110,000.

Liabilities to suppliers and other creditors amounted to €32,353,000. They include debt of €20,530,000 resulting from the acquisition of the Windwin wind farm.

Non-wind businesses

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

Non-current assets consist primarily of the Beaucaire waste treatment plant for €16,484,000.

Unallocated non-current assets include the securities accounted for using the equity method (Thenergo and Ecolution) for the amount of €63,277,000.

Liabilities represent primarily the borrowings intended to finance the construction of the waste treatment plant in the amount of €6,361,000 and liabilities owed to suppliers and other creditors in the amount of €18,924,000.

Holding activity

The assets are primarily cash resulting from the issuance of the OCEANE convertible bond in the amount of €174,103,000.

Non-current liabilities include the OCEANE convertible bond for €196,268,000.

Current liabilities primarily represent supplier liabilities and other creditors for €14,950,000.

12/31/2006 (in thousands of euros, with the exception of employees

Statement of income	Wind con-struction sale	Wind-based electricity sale	Non-wind activities	Holding	Total
Revenues	56,888	5,935	14,974	355	**78,152**
Inter-segment sales	(3,829)	(2,663)	(320)	(354)	**(7,166)**
Total	**53,059**	**3,273**	**14,655**	**0**	**70,986**

Income from continuing operations	1,852	(2,796)	(5,426)	(0)	**(6,370)**
Other operating income and expenses	(430)	(476)	(661)	(0)	**(1,568)**
Operating income	1,421	(3,273)	(6,087)	0	**(7,938)**
Net income	**1,691**	**(1,911)**	**(3,954)**	**0**	**(4,174)**
Share in income/loss of associates	-	(7)	69	0	**62**

Balance sheet

Non-current assets	**117,594**	**128,695**	**52,367**	**0**	**298,656**
Non-current assets not allocated	*18,811*	*4,008*	*2,528*		*25,375*
Current assets	**100,513**	**37,219**	**15,972**	**(0)**	**153,679**
Inc. current assets not allocated					
Total consolidated assets	**218,107**	**165,914**	**68,314**	**(0)**	**452,335**
Non-current liabilities	**10,714**	**66,179**	**16,840**	**-**	**93,733**
Non-current liabilities not allocated	*7,646*	*65,972*	*16,294*		*89,912*
Current liabilities	**123,063**	**40,446**	**23,673**	**0**	**187,180**
Inc. current liabilities not allocated	*31,925*	*8,152*	*4,306*		*44,373*
Total consolidated liabilities	**133,777**	**106,625**	**40,512**	**0**	**280,913**

Other information					
Acquisitions of tangible and intangible assets	310	40,842	12,600	0	**53,752**
Average number of employees	65	7	99		**172**

- ### Analysis by geographic region

12/31/2007 (in thousands of euros)

	France	Germany	Rest of world	Inter-segment eliminations	Total
Revenues	39,075	263,147	7,413		309,636
Inter-country sales	(31,155)	-	-	-	(3,155)
Total	**35,920**	**263,147**	**7,413**	**-**	**306,481**
Income from continuing operations	(24,041)	22,264	(1,474)	-	(3,250)
Other operating income and expenses	22,776	-	1,763	-	21,014
Impairment of goodwill	(56,490)				(56,490)
Operating income(loss)	**(57,755)**	**22,264**	**(3,237)**	**-**	**(38,726)**
Share in income/loss of associates		(4)	593	-	589

Balance sheet					
Non-current assets	**125,283**	**412,611**	**107,275**	**-**	**645,169**
Investments	111,296	249,311	31,304		391,910

Non-current assets not allocated	2,007	42,548	64,186		108,741
Current assets	**252,886**	**249,583**	**12,354**		**514,824**
Inc. current assets not allocated	**-**	**-**	**-**		**-**
Total consolidated assets	**378,170**	**662,194**	**119,629**	**-**	**1,159,994**

12/31/2006 (in thousands of euros)

	France	Germany	Rest of world	Total
Revenues	14,161	51,497	5,327	70,986
Total	**14,161**	**51,497**	**5,327**	**70,986**
Balance sheet				
Non-current assets	**226,844**	**43,047**	**28,765**	**298,655**
Investments	(39,920)	(7,779)	(5,232)	(52,930)
Non-current assets not allocated	9,267	19,448	2,308	31,022
Current assets	**50,053**	**96,284**	**7,342**	**153,678**
Inc. current assets not allocated	-	-	-	-
Total consolidated assets	**276,897**	**139,331**	**36,106**	**425,333**

28. Other operating income and expenses

	12/31/2007	12/31/2006
Share-based compensation (award of warrants)	4,803	(2,337)
Losses on disposals of assets		415
Income from ordinary operations	2,191	1,026
Other operating income and expenses	1,345	752
Total	**(1,267)**	**(145)**

Other operating income and expenses include the gain on the sale of certain wind farms.

29. Personnel expenses

	12/31/2007	12/31/2006
Wages and salaries	12,787	6,437
Social security and insurance expenses	3,630	2,340
Profit-sharing and incentives	-	-
Other employee benefits (IAS 19) and share-based compensation (IFRS,2)	6,996	1,216
Total employee expenses	**23,413**	**9,993**

30. Other non-current income and expenses

	12/31/2007	12/31/2006
Penalties on contracts		166
Disputes	(112)	1,271
Dilution profit (Thenergo)	22,981	
Impact of changes in scope of consolidation	74	
Other operating income and expenses	(1,929)	131
Total	**21,014**	**1,568**

31. Net financial income

- ### Analysis of the item

Income from cash and cash equivalents	12/31/2007	12/31/2006
Interest income generated by cash and cash equivalents	518	9
Income from sales of cash equivalents	1,524	686
Other income	1,112	15
Total	**3,154**	**710**

Cost of gross financial debt	12/31/2007	12/31/2006
Interest expense on financing operations	(13,240)	(1,198)
Effect of de-discounting		
Gains and losses related to debt extinction		
Total	**(13,240)**	**(1,198)**
Cost of net financial debt	**(10,086)**	**(488)**

The interest expense on the OCEANE convertible bond was €2,336,000 for the corresponding 2 months.

The other financial income in the amount of €1,112,000 comes from the investment of the funds received in the OCEANE convertible bond issue.

- ### Details of other financial income and expenses

Other financial income and expenses	12/3/2007	12/31/2006
Change in fair value of financial instruments	277	888
Reversals of provisions	-	60
Change in foreign exchange rate	213	(8)
Net expenses on sales of marketable securities	(33)	
Other financial income and expenses	1,688	119
Other financial income and expenses	**2,145**	**1,060**

32. Income tax

- ### Analysis of tax expense

In thousands of euros	12/31/2007	12/31/2006
Income tax payable	(6,230)	(3,480)
Deferred taxes (income)	9,503	6,611
Total	**(2,727)**	**3,131**

The corporation tax primarily concerns the companies located in Germany (particularly Natenco Gmbh in the amount of €5,638,000).

- **Proof of tax**

Description	12/31/2007	12/31/2006
Net income of consolidated entity before taxes	(46,078)	(7,304)
Applicable theoretical tax rates	33.33%	33.33%
Theoretical tax expense	15,358	2,434
Tax expense recognized	(2,729)	3,130
Tax variance	**(18,087)**	**697**
Items in reconciliation:		
Permanent differences	(50)	(86)
Income taxed at reduced rate	-	(40)
Badwill on acquisitions	(5)	(133)
Share-based payments (IFRS2)	(3,932)	(1,184)
Dilution profit	7,660	
Tax deficits capitalized		
Foreign exchange differences	(55)	
Tax variance France / abroad	(2,577)	
Impairment of goodwill	(18,828)	
Tax deficits not capitalized	(335)	(228)
Other	35	
Total	**(18,087)**	**697**

- **Nature of deferred taxes**

Assets

In thousands of euros	12/31/2007	12/31/2006
Intangible assets	(459)	(510)
Tangible assets		
Eliminations of internal margins	2,173	2,683
Eliminations of internal disposals	2,980	
Exceptional amortization and depreciation	(7,779)	
Adjustment of amortization period	2	
Provisions for pension commitments	94	47
Financial instruments	(13,087)	(266)
Deferred taxes on Deficits	17,197	7,101
Other assets	311	(2)
Total	**1,431**	**9,053**

Liabilities

In thousands of euros	12/31/2007	12/31/2006
Intangible assets	9,468	9,464
Exceptional amortization and depreciation	430	66
Adjustment of amortization period	196	196
Provisions for pensions commitments		
Eliminations of internal margins		
Financial instruments	275	
Tax carryforwards, Germany	7,798	
Other liabilities	1	375
Total	**18,168**	**10,101**

- **Use of deficits**

	12/31/2006	New deficits generated	Impact of change in rate	Other	12/31/2007
Deferred taxes that can be capitalized on deficits	7,101	10,204	(108)		17,197
Deferred tax assets recognized	**7,101**	**10,204**	**(108)**	**-**	**17,197**

- **Unrecognized tax assets**

In thousands of euros	12/31/2007	12/31/2006
Without limit	(335)	(228)
Total	**(335)**	**(228)**

33. Earnings per share

Descriptions	12/31/2007	12/31/2006
Income attributable to shareholders of the company (in euros thousand)	(48,262)	(4,414)
Weighted average number of shares outstanding (in thousand)	34,190	15,621
Base earnings per share (in euros)	**(1.41)**	**(0.28)**
Income attributable to shareholders of the Company (in thousands of euros)	(48,262)	(4,414)
Weighted average number of shares outstanding	34,190	15,621
Adjustments related to warrants	4,914	2,955
Convertible bonds	11,538	
Adjustments for bonus shares allotted	576	
Weighted average number of shares of common stock outstanding	51,219	18,576
Diluted earnings per share (in euros)	**(0.94)**	**(0.24)**

34. Related parties

- **Associated enterprises**

Associated enterprises are companies in which the Group exercises significant influence, which are accounted for using the equity method, and the companies considered to be related parties, particularly FC Holding. The transactions executed with these companies are provided in the table below.

No transaction was recorded with equity associated enterprises.

In thousands of euros	12/31/2007	12/31/2006
Operating income		-
Operating expenses	9,068	-

In thousands of euros	12/31/2007	12/31/2006
Operating receivables	5,083	-
Operating liabilities		-

- **Executive compensation**

The compensation for executives with a technical position in the company is provided below:

In thousands of euros	12/31/2007	12/31/2006
-short-term benefits	2,455	1,082
-post-employment benefits	-	-
-severance pay	-	-
-share-based compensation	5,255	788
	7,710	**1,870**

The amount of directors' fees paid to the members of the THEOLIA Board of Directors was €118,000 (€80,000 in 2006).

35. Commitments and contingent liabilities and assets

A – Commitments given by THEOLIA SA

1. Acquisition of the SERES fund

In its capacity as assignee under the judgment ordering the total sale of the SERES company, THEOLIA remains the guarantor of the execution of the plan to sell the SERES company. In particular, it has agreed to contribute the sum of €2,500,000 and would be required to execute this commitment if SAS SERES Env defaults. This two-year commitment ended on July 6, 2008.

2. Financing for the Wind activity

On May 16, 2005, the company signed a memorandum of understanding with the minority shareholders of SA Ventura, which was modified by amendments dated June 30, 2005, May 12, 2006 and April 30, 2007. This memorandum defines the principles for collaboration between THEOLIA and its subsidiary. The principal features of this collaboration are the following:

All the current or future wind projects of the Group, including acquisition projects, will be developed and built by SA Ventura, within the limits of the business plan established each year. For this purpose, the Ventura company each year will establish, with the assistance of THEOLIA, a business plan that defines the number and magnitude of the projects planned and the amount of the corresponding equity to be contributed by THEOLIA.

THEOLIA SA undertakes to contribute the funds necessary to its subsidiary to finance the wind activity (within the limits of the conditions defined by the agreement).

For each wind farm project contained in the aforementioned business plan, an ad hoc SAS (simplified joint stock company) will be formed and held, either directly or through a holding company, by Ventura SA (80%) and with 20% held by Messrs. Guyot, Bouffard and De Saint Jouan (minority shareholders at 12/31/2007).

3. Support for the development of the activities of Ecoval Technology

In the framework of its support for the expansion of the activities of Ecoval Technology, THEOLIA has guaranteed the company with the BFCC for a maximum total amount of €140,000.

- **Demand guarantee for financing CEPLO, CEMDF, CESAL, CERON and CELGC**

In order to set up the five distinct financing packages for the five wind farms to be built and operated respectively by Centrale Éolienne des Plos ("CEPLO"), Centrale Éolienne du Moulin de Froidure ("CEMDF"), Centrale Éolienne de Sallen ("CESAL"), Centrale Éolienne du plateau de Ronchois ("CERON") and Centrale Éolienne du Grand Camp ("CELGC"), negotiations for credit agreements were conducted between THEOLIA and Société Générale.

During those negotiations, in order to cover the variable rate risk induced by the credit agreements, rate swap contracts were executed between each operating company and Société Générale.

In this regard, THEOLIA gave Société Générale a guarantee for the commitments of the operating company in question for each swap contract. This unconditional demand guarantee expires on the effective date of the credit agreement to which the swap contract is tied or on December 31, 2009 by default.

This guarantee was authorized by a decision of the THEOLIA Board of Directors on May 14, 2007.

As the financing for CEPLO and CEMDF are in place, the guarantee is no longer in effect for these two companies.

On the other hand, the guarantee for the commitments of CESAL, CERON and CELGC remains in effect since the financing has not yet been definitively arranged for these three companies.

However, for the CESAL company, the financing contract has been signed and taken effect following the satisfaction of the last of the conditions precedent which should take place in the coming days, on which date the guarantee for CESAL's commitment will be extinguished.

- **Commitments under the framework agreement for the "THEOWATT" financing**

In the context of setting up five separate financing packages for five wind farms to be built and operated respectively by Centrale Éolienne des Plos ("CEPLO"), Centrale Éolienne du Moulin de Froidure ("CEMDF"), Centrale Éolienne de Sallen ("CESAL"), Centrale Éolienne du plateau de Ronchois ("CERON") and Centrale Éolienne du Grand Camp ("CELGC"), and together with CEPLO, CEMDF, CESAL and CERON, the "Potential Borrowers"), a framework agreement was authorized by the THEOLIA Board of Directors on May 31, 2007.

This framework agreement stipulates, subject to certain conditions, that:

prior to the First Draw Date, THEOLIA undertakes jointly with Théowatt and THEOLIA France to conduct a capital increase for any Potential Borrower or to make a shareholder's loan to any Potential Borrower under the conditions set forth in the Framework Agreement (the "Basic Contribution"), in an amount that will depend on the total costs for the design, construction, commissioning and commercial operation of the wind farm in question;

after the first draw date, THEOLIA undertakes jointly with Théowatt and THEOLIA France to conduct a capital increase for any Potential Borrowers or to make a shareholder's loan to any Potential Borrower under the conditions cited in the framework agreement (the "Additional Contribution"), the amount of which is stipulated in the Framework Agreement.

The framework agreement also stipulates that:

Theolia guarantees to the Financial Parties, under the conditions defined in the Framework Agreement, jointly with each of the Potential Borrowers, its "VAT Guaranteed Obligations"; the VAT Guaranteed Obligations designate individually the payment and repayment obligations which are the responsibility of each of the Potential Borrowers under the Revolving Credit.

The framework agreement also stipulates that:

THEOLIA undertakes jointly with Théowatt and THEOLIA France to pay to the credit agent acting on behalf of the banks an amount equal to the sum of any Additional Contribution due and not paid pursuant to the Framework Agreement, within three (3) business days following receipt of this accelerated payment notification by THEOLIA if certain conditions are met, particularly if THEOLIA does not meet its payment obligations under the framework agreement.

- **Cooperating agreement with General Electric**

Under the cooperation agreement signed by General Electric and THEOLIA, THEOLIA agreed to offer first all wind farms that THEOLIA plans to sell to General Electric first.

In addition, THEOLIA agreed to propose that General Electric participate in all project financing that required a debt to a third party.

- **Development bonus for the acquisition of Maestrale**

In the context of the acquisition of the Maestrale company, THEOLIA signed remuneration agreements if the development operations were successful. These success fees agreements provide for the payment of a sum when the various permits are definitively obtained.

The accounting treatment used depends on the degree of progress of the projects in question on the closing date.

When the progress of the project does not guarantee completion, no liability is declared or recognized.

When it becomes probable, based on the progress of the project, that the remuneration will be paid, the corresponding contingent liability is communicated in the notes.

As of December 31, 2007, the potential liabilities related to this contract amounted to €1,500,000 for the Martignano project.

B – Commitments given by the subsidiaries

- ✓ **Commitments given by Theowatt**

For the financing of the MDF, RON, LGC, SAL and PLO projects, TW made the following guarantees:

Pledge of its bank accounts in an instrument dated June 21, 2007.

Pledge of the shares held in MDF, RON, LGC, SAL and PLO in an instrument dated June 21, 2007.

- **Commitments of the Therbio sub-group**

To guarantee the loans granted to Ecoval 30 for the financing of the construction of the Beaucaire plant, the following commitment was made:

"With the agreement to the instrument of the syndicate of communities, ECOVAL 30 assigns and specifically mortgages to the bank, which accepts, the right to the administrative long-term lease on the land located in the commune of BEAUCAIRE as well as all parts of the buildings built or to be built, improvements and equipment by destination; it is specified in this respect that the borrower recognizes all equipment which is used or will be used for the operation of its business as part of the property by intended use.

- **Commitments of Ecoval Technology**

The company is engaged in the construction of different waste water treatment units, particularly in the commune of Cabriès in Bouches du Rhône.

- **Commitments of Natenco GmbH**

In the context of its activities, Natenco has pledged to different banking institutions a number of accounts open in their books in order to guarantee the costs that may occur when certain farms are dismantled.

The total amount of the pledges was €3,297,000 as of December 31, 2007.

- **Commitments of THEOLIA Iberica**

THEOLIA Iberica signed a loan agreement with its 50% subsidiary ASSET Electrica under the terms of which it agreed to grant the subsidiary total financing of €7,000,000 in the context of the financing for the construction of the electric line.

The amount made available to ASSET Electrica was €6,877,000 at December 31, 2007. The amount of the off-balance sheet commitments of THEOLIA Iberica therefore totaled €123,000.

- **ASSET Electrica**

The company agreed to build a 132 KV power line, approximately 30 kilometers from the Carboneras source station up to the grid.

The completion of this operation is planned for July 2008. The main subcontractor for the operation is the company Juan Galindo,S.L.

C – Commitments given post-closing.

- **Unconditional and irrevocable guarantee to return the price for the sale of a wind farm**

At the Board of Directors' meeting of January 8, 2008, and in the context of the sale of a wind farm with total power of 24 MW for a price of 40.8 million euros by Natenco to Hohenlohe Windpark 1 GmbH & Co, Hohenlohe Windpark 2 GmbH & Co KG, Hohenlohe Windpark 3 GmbH & Co KG, Hohenlohe Windpark 4 GmbH & Co. KG, Hohenlohe Windpark 5 GmbH & Co KG and Hohenlohe Windpark 6 GmbH & Co KG, companies affiliated with Meinl International Power Ltd, THEOLIA granted an unconditional and irrevocable guarantee to return the aforementioned sale price if the sale was cancelled by one or more buyers and Natenco defaulted on the reimbursement of the sale price. This commitment runs until June 30, 2009.

- **Assumption of the commitments of the former shareholders of Compagnie Eolienne de Détroit (CED) in the context of acquisition**

In the context of the acquisition of CED, which took place on January 4, 2008, THEOLIA assumed the guarantees and security interests granted by the former CED shareholders to the lenders under credit agreements which CED signed. THEOLIA also made a pledge under Moroccan law of all shares of CED which it acquired in order to guarantee CED's obligations to the lenders.

- **Pledge of financial instruments accounts to support Theolia Wind Power in a 15 MW project in India**

In the context of the acquisition by the Indian company Theolia Wind Power of a 15 MW project in India, THEOLIA pledged its SICAV accounts, through the Board of Directors at its meeting of March 13, 2008 to Société Générale in the amount of €9.8 million. The guarantee is intended to cover up to 10 MW of any missing financing.

This pledge is for the amount of 9.8 million euros and is granted for a maximum of one year.

D – Commitments received

- **THEOLIA SA**
    - o Cooperating agreement between THEOLIA and General Electric

Under the cooperation agreement signed by General Electric and THEOLIA, General Electric agreed to offer THEOLIA wind projects in development located in the European Union.

In addition, General Electric agreed to offer to THEOLIA wind projects ready for construction or built, but which have not reached the commercial operational date and have a capacity of less than 45 MW.

General Electric granted THEOLIA a right of first refusal to acquire these projects.

- **THEOLIA France**

On January 31, 2008, THEOLIA France signed a memorandum of understanding under the terms of which Winvest agreed to offer 30 MW in wind projects before December 31, 2009.

E – Disputes

To the company's knowledge, there is no dispute which might materially affect the business, results or financial position of the group.

o **Commercial disputes**

On behalf of one of its subsidiaries in the Environment division, THEOLIA signed a contract to design and fabricate a prototype. An installment of €208,000 was invoiced by the supplier, out of a total of €750,000, Theolia's commitment to the supplier or €1 m if contract relations were terminated.

At the end of the year, the dispute was completely resolved. A new contract was signed directly by Therbio and the service provider.

o **Tax audits**

The tax audits of THEOLIA (VAT), Ventura and Natenco SAS conducted over the year were notified in the second half of 2007. The total cost of the additional assessment is less than €200,000.

o **Dispute with sellers of Natenco SAS**

On January 31, 2008, the dispute between THEOLIA and the sellers of Natenco SAS was resolved by the signature and implementation of a global agreement providing for the acquisition of 2 wind farms and construction permits representing 20 MW, in return for payment by THEOLIA of €3,258,983, which contractually corresponds to the price supplement claimed by the sellers.

o **Disputes over building permit**

o Disputes over building permits in France

In its asset portfolio, the VENTURA company has three projects, known respectively as Magremont, La Trie and Joncels, on which appeals have been filed against the government following the Prefect's refusal to issue the building permit. These projects represent a total of 132 MW. Appeals have been filed for all the projects. However, management believes that there is a risk that not all of the building permits will be obtained. Therefore, the costs incurred have been provisioned respectively at the level of 25%, 25% and 50%. This provision has an impact on income (net of tax) for the year in the amount of -€238,000.

o Dispute over building permit in Italy

Pursuant to a petition filed with the Administrative Court of Lecce (Italy), a decision was rendered on February 5, 2008, which invalidated the authorization granted and suspended the construction work:

- invalidating the authorization granted by the Puglia region to build the planned wind farm;

- suspending the construction work on the farm for the entire duration of the judicial proceeding.

This decision was appealed to the Council of State. The attorney in charge of the case believes that the company's chances are very good. As a result, no provision has been recognized on the current outstanding amount of €5,896,000.

The same plaintiffs filed a complaint against the executives of the Neoanémos company on the basis of a legal violation for favoritism by the promoters and local public authorities. According to the same attorney, there is no element to prove the violation. The case is currently pending.

- **Labor dispute**

Former employees initiated action against THEOLIA following their departure. Their claims are for:

- damages;
- stock warrants or compensation for the loss of the stock options benefit.

In one case, a decision was rendered, reducing the employees' demands to the allotment of stock warrants. The employee has appealed this decision.

On the basis of the risk estimate made by Management, a provision in the amount of €373,000 has been recognized out of a total claim for €946,000.

- **Suzlon dispute**

On November 9, 2007, Suzlon demanded termination of the turbine supply contract with NeoAnemos and demanded the reimbursement of all costs and expenses incurred for the work performed to that date.

On April 2, 2008 NeoAnemos, Maestrale Green Energy and Deutsche Bank (in their capacity as shareholders of the parent company of NeoAnemos) signed a preliminary amicable agreement with Suzlon to end the potential dispute. This agreement stipulates, among other items, that the turbines will be purchased directly by THEOLIA and that NeoAnemos and Suzlon both waive any dispute. If the resumption of the construction work on the Martignano farm were to be authorized, Theolia agreed to sell the turbines to NeoAnemos for a price substantially equivalent to the price that will be paid to Suzlon to buy them.

36. List of group companies

Companies	% interest	Consolidation method	Country	Activity
SA THEOLIA	100.00	Parent company	France	Holding
MAESTRALE ENERGY Srl	100.00	Full consolidation	Italy	Wind construction sale
NATENCO GMBH	100.00	Full consolidation	Germany	Wind construction sale
NATENCO HOLDING Gmbh	100.00	Full consolidation	Germany	Wind construction sale
NATENCO SAS	100.00	Full consolidation	France	Wind construction sale
VENTURA	99.42	Full consolidation	France	Wind construction sale
AEROCHETTO Srl (Giunchetto 29.75 MW)	100.00	Full consolidation	Italy	Wind-based electricity sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00	Full consolidation	Greece	Wind-based electricity sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00	Full consolidation	Greece	Wind-based electricity sale
APESA	100.00	Full consolidation	Spain	Wind-based electricity sale
ASSET ELECTRICA	50.00	Full consolidation	Spain	Wind-based electricity sale
BUSMAN WIND GMBH (LADBERGEN I)	100.00	Full consolidation	Germany	Wind-based electricity sale
CEFF	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL AQUEDUC	99.54	Full consolidation	France	Wind-based electricity sale
CENT EOL CHEM DE FER	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE BOIS CHENAULT	99.42	Full consolidation	France	Wind-based electricity sale
CENT EOL DE CANDADES	79.54	Full consolidation	France	Wind-based electricity sale
CENT EOL DE CHASSE MAREE	99.54	Full consolidation	France	Wind-based electricity sale
CENT EOL DE COUME	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE CROIX BOUDETS	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE DAINVILLE	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE DEMANGE	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE FRUGES LA PALETTE	91.99	Full consolidation	France	Wind-based electricity sale
CENT EOL DE LA FAGE	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE LA VALLEE DE LA TRIE	99.54	Full consolidation	France	Wind-based electricity sale
CENT EOL DE MOTTENBERG	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE SALLEN	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DE SEGLIEN	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES COSTIERES	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES GARGOUILLES	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES PLOS	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DES SABLONS	99.42	Full consolidation	France	Wind-based electricity sale
CENT EOL DES SOUTETS	79.54	Full consolidation	France	Wind-based electricity sale
CENT EOL DU GRAND CAMP	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DU MAGREMONT	99.54	Full consolidation	France	Wind-based electricity sale
CENT EOL DU MOULIN DE FROIDURE	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DU PAYS DE SOMMIERES	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL DU PLATEAU DE RONCHOIS	100.00	Full consolidation	France	Wind-based electricity sale
CENT EOL FORET BOULTACH	100.00	Full consolidation	France	Wind-based electricity sale
CORSEOL SA	95.20	Full consolidation	France	Wind-based electricity sale
ERNEUERBARE ENERGIE ERNTE VIER GmBH	48.00	Equity method	Germany	Wind-based electricity sale
ERNEUERBARE ENERGIE ERNTE ZWEI Gmbh	89.60	Full consolidation	Germany	Wind-based electricity sale
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00	Full consolidation	Germany	Wind-based electricity sale
FERM EOL ASSERAC	100.00	Full consolidation	France	Wind-based electricity sale
FERM EOL DE BAZOCHES	100.00	Full consolidation	France	Wind-based electricity sale
FERM EOL DE ST MICHEL CHEF	100.00	Full consolidation	France	Wind-based electricity sale
HECKELBERG R.E.W. Gmbh & Co. ZWANZIG WIND-KG	100.00	Full consolidation	Germany	Wind-based electricity sale
LES 4E	100.00	Full consolidation	France	Wind-based electricity sale
MAESTRALR PROJECT HOLDING SA	50.32	Full consolidation	Italy	Wind-based electricity sale
MGE GIUNCHETTO Wind Park SA	100.00	Full consolidation	Italy	Wind-based electricity sale
MGE Idea Srl	100.00	Full consolidation	Italy	Wind-based electricity sale
MPH 1 SA (Giuggianello 28 MW)	100.00	Full consolidation	Italy	Wind-based electricity sale
NATENCO CZECH REP. IG	100.00	Full consolidation	Czech Republic	Wind-based electricity sale
NATENCO DO BRASIL ENERGIAS ALT.	100.00	Full consolidation	Brazil	Wind-based electricity sale
NATENCO WINDPARK 1 MANAGEMENT Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK ALSLEBEN BETEILIGUNGS Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK BETEILIGUNGS Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK MANAGEMENT Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
NATENCO WINDPARK VERWALTUNG Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
NATURSTROMNETZ Gmbh	43.81	Full consolidation	Germany	Wind-based electricity sale
NEO ANEMOS Srl (Martignano 21 MW)	47.8	Full consolidation	Italy	Wind-based electricity sale
PLAINE DU MONTOIR 1	98.00	Full consolidation	France	Wind-based electricity sale
PLAINE DU MONTOIR 2	98.00	Full consolidation	France	Wind-based electricity sale

Companies deconsolidated during the period

Companies	% interest	Consolidation method	Country	Activity
PREMSLIN R.E.W. BLÜTHEN PREMSLIN Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
REW KRANZLIN GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
ROYAL WIND	100.00	Full consolidation	France	Wind-based electricity sale
SIEBZEHNTE UPEG WINDPARK GMBH &CO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
SNC NATENCO SAS	100.00	Full consolidation	France	Wind-based electricity sale
THEOLIA CEE Gmbh	100.00	Full consolidation	Austria	Wind-based electricity sale
THEOLIA DEUTSCHLAND GMBH	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA EMERGING MARKETS	47.62	Full consolidation	Morocco	Wind-based electricity sale
THEOLIA FRANCE	100.00	Full consolidation	France	Wind-based electricity sale
THEOLIA GREECE	95.00	Full consolidation	Greece	Wind-based electricity sale
THEOLIA HUNGARIA	100.00	Full consolidation	Hungary	Wind-based electricity sale
THEOLIA IBERICA	100.00	Full consolidation	Spain	Wind-based electricity sale
THEOLIA MAROCCO	47.62	Full consolidation	Morocco	Wind-based electricity sale
THEOLIA PARTICIPATIONS	100.00	Full consolidation	France	Wind-based electricity sale
THEOLIA POLSKA	99.90	Full consolidation	Poland	Wind-based electricity sale
THEOLIA VERWALTUNG	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA WINDPARK WERBIG GMBH	100.00	Full consolidation	Germany	Wind-based electricity sale
THEOLIA WIND POWER PVT (INDIA)	50.00	Full consolidation	India	Wind-based electricity sale
THEOWATT	100.00	Full consolidation	France	Wind-based electricity sale
UPEG WINDPARK GMBH (LADBERGEN II)	100.00	Full consolidation	Germany	Wind-based electricity sale
UPEG WINDPARK GMBH (LADBERGEN III)	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDENERGIE COESFELD-LETTE GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK BETRIEBS GMBH	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK GROB WARNOW	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK GROSSVARGULA Gmbh & Co. KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK HOPSTEN INVESTITIONS GMBH & CO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK MINDEN Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK NIENBERGE GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK NOTTULN GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK RABENAU Gmbh	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK TUCHEN RECKENTHIN INVESTITIONS GMBH	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK VERDEN 1 Gmbh & Co. KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK VERDEN 2 Gmbh & Co. KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDPARK WOLGAST INVESTITIONS GMBH &CO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDWIN GMBH & KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WINDWIN VERWALTUNG GMBH	100.00	Full consolidation	Germany	Wind-based electricity sale
WiWi WK GmbH & Co. WiWo KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WSB W. RUHLSDORF GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
WSB W. MUHLANGER GMBH &KO KG	100.00	Full consolidation	Germany	Wind-based electricity sale
ZABELSDORF R.E.W. Gmbh & Co. ZWÖLF WIND-KG	100.00	Full consolidation	Germany	Wind-based electricity sale
BIOCARB	92.27	Full consolidation	Switzerland	Non Wind activities
CS2M	100.00	Full consolidation	France	Non Wind activities
ECOLUTIONS	16.77	Equity method	Germany	Non Wind activities
ECOVAL 30 SA	97.66	Full consolidation	France	Non Wind activities
ECOVAL TECHNOLOGY SAS	100.00	Full consolidation	France	Non Wind activities
NEMEAU SAS	100.00	Full consolidation	France	Non Wind activities
PBSR	100.00	Full consolidation	France	Non Wind activities
SAEE	100.00	Full consolidation	France	Non Wind activities
SAPE	100.00	Full consolidation	France	Non Wind activities
SERES ENVIRONNEMENT	100.00	Full consolidation	France	Non Wind activities
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00	Full consolidation	Germany	Non Wind activities
THERBIO	99.99	Full consolidation	France	Non Wind activities
THENERGO ME (Sub group))	29.19	Equity Method	Belgium	Non Wind activities
THEOLIA CANADA	99.98	Full consolidation	Canada	Non Wind activities
THEOLIA PREMIERES NATIONS INC	99.98	Full consolidation	Canada	Non Wind activities

Companies deconsolidated during the period

Jean JOUVE
72 rue Saint Jacques
13006 Marseille

Deloitte & Associés
Les Docks - Atrium 10.4
10 place de la Joliette
13002 Marseille

THEOLIA
Société Anonyme
75, rue Denis Papin
13290 Aix-en-Provence

Report of the Statutory auditors on the Consolidated Financial Statements

Year ending December 31, 2007

To the Shareholders,

In the performance of the mission entrusted to us by your Shareholders' Meeting, we audited the consolidated financial statements of the THEOLIA company for the year ending December 31, 2007, as they are attached to this report.

The consolidated financial statements were adopted by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on those statements.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit in order to obtain reasonable assurance that the consolidated financial statements contain no material misstatements. An audit consists of verifying, on a test basis, the elements that justify the disclosures in the consolidated financial statements. It also consists in assessing the accounting principles used, the significant estimates made, and the overall presentation of the statements. We believe that our audit provided a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements present fairly and accurately the assets, financial position and the results of the entity composed of the persons and entities included in the consolidation in accordance with the IFRS as adopted by the European Union.

II. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we are informing you of the following elements:

As indicated in Note 2.5 to the consolidated financial statements, the company recognizes as intangible assets the development costs for the different projects related to the operation of the wind power plants, in accordance with the criteria stipulated by the IFRS standards as adopted in the European Union. We reviewed the business and profitability projections supporting the appropriateness of this recognition, the conditions used for amortization and for verification of their recoverable value, and we verified that Notes 2.5 and 3.1 provide appropriate information.

On each closing date, the company systematically conducts an impairment test of goodwill and of the assets with an indefinite life and also assesses whether there is an indication of impairment of the long-term assets, in accordance with the criteria described in Note 3.2 to the consolidated financial statements. We have reviewed the procedures for implementing this impairment test and the projections of cash flow and the assumptions used, and we have verified that Note 3.2 provides appropriate information.

On each closing date, the company systematically conducts a review of the recoverable value of the deferred tax assets and also evaluates whether there is a probable taxable profit sufficient to allow the use of the advantage related to these assets, in accordance with the criteria described in Note 3.3 to the consolidated financial statements. On the basis of the information provided to us, our work consisted of assessing the data and assumptions used as the basis for the income projections, and we verified that Note 3.3 gives appropriate information.

The assessments made were part of our audit of the consolidated financial statements, considered in their entirety, and therefore contributed to our opinion expressed in the first part of this report.

III. Specific verification

We also performed the specific verification required by law on the information about the group provided in the management report in accordance with generally accepted standards in France. We have no comment to make concerning the fair presentation of that information and its conformity with the consolidated financial statements.

Marseille, May 15, 2008

The Auditors

Jean JOUVE

Auditor

Deloitte & Associés

Auditor

Anne-Marie MARTINI

20.2.2. Additional notes to the consolidated financial statements for the year ending December 31, 2007

The following additional notes are not part of the consolidated financial statements as certified by the Statutory Auditors in their report included in paragraph 20.2.1 of the present Reference Document.

Note 1 – General information

Comparability of the financial statements

The changes in the scope of consolidation recorded in the fiscal year 2007 have been indicated in pro forma information in Note 7 to the consolidated financial statements.

Note 2 – Accounting principles

It is specified that the standards applied by the Group are available on the Internet at: http://ec.europa.eu

Note 2.23 – Pro forma information

The changes in the scope of consolidation recorded in the fiscal year 2007 have been indicated in pro forma information in Note 7 to the consolidated financial statements.

Note 4 – Management of the risk related to financial instruments

Liquidity risk

If there is a positive change of 1% in interest rates, the financial expense on the unhedged borrowings would increase by €728,500 and would break down as follows:

- Borrowings France	+€94,000
- Borrowings Germany	+€634,500

A significant increase in interest rates could have a material negative impact on the business, financial position, results of the Group, or its ability to meet its objectives.

Note 22 to the consolidated financial statements for the year ending December 31, 2007 details the Group's borrowings by maturity dates.

Credit risk

The criteria for impairment of receivables are detailed in Note 4.1 to the consolidated statements at December 31, 2007. A case by case analysis of each of these receivables resulted in a provision of €709,000 as described in Note 16.

Note 5 – Principal events characteristic of the period

Registration of Thenergo on Alternext

The dilution profit realized on this operation is detailed in the addition to Note 30.

Partnership with General Electric

Note 5 – "Principal characteristic events" describes the partnership entered into with GE. It was not considered necessary to describe the accounting consequences at this level, which are described in Note 8 to the consolidated financial statements at December 31, 2007.

Issuance of a convertible bond / Océanes

All the elements concerning the accounting treatment of the convertible bond are detailed at the end of Note 22 to the consolidated financial statements at December 31, 2007

Acquisition of Maestrale Green Energy, an Italian developer

The contract to acquire the Maestrale Group stipulates the payment of price supplements if construction permits are obtained for the first 100 MW. They will be calculated so that the value of each MW developed totals €500,000. In practice, the amount of the price supplement will be €500,000/MW minus the development costs already invoiced by the developer.

As of December 31, 2007 no price supplement was due or recognized in the Group's consolidated financial statements.

Note 7 – Change in the scope of consolidation

Pro forma information

The wind farms (GE) are consolidated as of July 1, 2007. The column " THEOLIA Group 12/31/2007" therefore integrates the income statements of these companies for the second half of 2007 (6 months). Presenting an income statement as if this acquisition had been made on the first day of the year means presenting the data for these wind farms for the first half of the 2007. The column "Wind farms (GE) 06/30/2007" contains this information

As a result, the third column " THEOLIA Group pro forma 12/31/2007" shows the Group's income statement with the impact of this consolidation over a full year.

Note 9 – Goodwill

In accordance with the information provided in Note 2.8, the Group conducted impairment tests of its goodwill. These tests were performed primarily on the basis of the fair value in an active market context. No index of impairment was detected in the fiscal year 2007. As a result, the tests were performed at closing. The table below presents additional information on the impairment tests:

CGU	Net goodwill 12/31/2007	Intangible and tangible assets	Total tested	Recoverable value	Impairment
Development and construction of wind farms	93,577	50,564	144,141	315,103	Nil
Production of wind-based energy – France	820	23,954	24,774	32,300	Nil
Production of wind-based energy – Germany	44,826	217,755	262,581	301,196	Nil
Non-Wind activities	15,329	20,225	35,583	169,313	Nil
Total	**154,552**	**312,528**	**467,080**	**87,912**	-
GW Ecolutions	(10,031)				
Total GW note 12/31/2007	**144,521**				

The information on the sensitivity of the impairment tests was not provided insofar as the tests were primarily performed on the basis of market values.

Note 10 – Intangible assets

<u>"Current projects" item</u>

The table below shows the breakdown of projects in progress by geographic location and the change for 2007:

	Current projects at 01/01//2007	Acquisitions generated internally	In service	Business combination	Transfer of rights	Disposals	Change in consolidation method	Conversion var.	Other changes	Current projects at 12/31/2007
Projects in development-France	19,981	3,534	(1,088)		(2,595)	(2,154)				17,680
Projects in development-Env. division	6,630		(6,184)						(3)	443
Projects in development-Spain	8,700									8,700
Projects in development-India	200								(200)	
Projects in development-Czech Republic	141	14						5	(3)	157
Projects in development-Italy				3,326						3,326
Biomass project in development	4,713						(4,713)			
Total projects in development	**40,367**	**3,548**	**(7,272)**	**3,326**	(2,595)	(2,154)		**5**	**(206)**	**30,306**

"Development costs" item

The table below shows the breakdown of the projects in progress by geographic location and the change for 2007:

	Develop-ment costs at 01/01/2007	Acquisi-tions gen-erated internally	Commis-sioned	Business combina-tions	Other change s	Develop-ment costs at 12/31/2007
Development costs – France	2,670		1,088			3,758
Development cost -Environmental divi-sion	193	390	6,184			6,767
Development costs – Germany	897	81		4,608	(737)	4,849
Total projects in development	**3,760**	**471**	**7,272**	**4,608**	**(737)**	**15,374**

"Depreciation as a result of impairment tests" line

Standard IAS 36 requires the performance of impairment tests on assets with a defined life only if there is an indication of impairment. At the end of the fiscal year 2007, only the Buchen project resulted in the recognition of a 100% impairment loss in the amount of €(3,832,000) out of a total of €(3,990,000).

The other impairment losses recognized are not significant.

Note 11 – Tangible fixed assets

New tangible fixed assets related to acquisitions made in 2007

The goodwill recognized on the acquisition of the General Electric farms was justified by the change in the market price on the date of the shareholders' meeting that approved the contributions. The result was a technical impairment of about €56.5 million.

This specific accounting treatment did not in anyway reduce the value of the tangible and intangible assets contributed by General Electric, as demonstrated primarily by the reports from the contribution auditors.

In this respect, no index of impairment was not as of December 31, 2007 which might trigger an impairment process for the amortizable assets.

"Impairment loss resulting from impairment tests" line

Standard IAS 36 requires the performance of impairment tests on assets with a defined life only if there is an indication of impairment. The impairment recognized in the amount of €(266,000) primarily concerns the wind projects located in France. They are made as a function of the risks that failure to obtain the building permits could have an impact on the progress of the projects.

Note 12 – Associated enterprises

The Ecolutions company is valued on the basis of a study conducted by an independent firm dated November 12, 2007.

The Thenergo company is valued on the basis of the market price at December 31, 2007 and the prospects for growth re-flected in particular by the price on April 11, 2008, which indicated that there was no need to reduce the value.

Note 14 – Other non-current financial assets

The securities available for sale consist primarily of units in investment funds and are valued at closing in accordance with the recommendations of IFRS 7 §B5f. No impairment was recognized.

Note 15 – Inventories

The inventory of 29 million held by Natenco gmbh is intended for sale in its entirety. However, in 2008, no sale was made because of the change in strategy announced in the third quarter of 2008 (the decision to retain all the projects in order to operate them).

Note 17 – Other current assets

Other debtors representing the amount of €15,933,000 reflect the receivables held on the following elements:

- FC Holding: €5,084,000

- Wind farm sale to Winvest Energy: €3,223,000
- Sale of wind farms to Valorem: €1,047,000
- Advances for the acquisition of wind projects in Italy: €900,000
- Electricity revenues receivable in Germany (dispute): €415,000
- Tax receivables (VAT): €1,412,000
- Other receivables allocated to various Group companies: €3,852,000

In 2008, most of the receivables were recovered by the Group

Note 22 – Financial debt and derivative financial instruments

As of December 31, 2007, the covenants on the Group's financial liabilities concerned the Group corporate debt (OCEANE which had just been exercised by THEOLIA SA, the corporate debt lines of Natenco, and the project debts in Germany and France. The nature of the covenants is a function of the Group's financing arrangements:

- Group corporate debt: OCEANE (cf section 4.3.5 infra);

- Corporate debt Germany: these financing arrangements carry financial covenants tied primarily to the borrower meeting financial structure ratios (ratio of financial debt to equity or financial debt to EBITDA);

- Project debt: these financing arrangements tied to the construction of wind farms (France, Germany, Morocco) carry financial covenants tied primarily to meeting a cash flow ratio (cash generated by the activity/debt service) and a financial structure ratio (debt/equity).

As indicated in the 2007 consolidated financial statements (Note 22), these covenants have been met.

Current/non-current debt

The short-term portion of the financial debt at December 31, 2007 are broken down quarterly as shown below:

€ thousand	< 3 months	< 6 months	< 9 months	< 12 months	Total
Financial liabilities (current portion)	41,814	16,515	15,701	16,741	**90,772**

Note 30 – Other non-current income and expenses

In the first half of 2007, the Thenergo company completed the following capital increases:

- a private placement of €5 million (22 May 2007);
- a capital increase in cash of €5.6 million reserved for THEOLIA (May 22, 2007);
- a capital increase in cash of €64.5 million reserved for qualified investors after Thenergo was listed for trading on Alternext.

At the end of the capital increases, THEOLIA 's stake was reduced from 91.01% to 35.20% as of June 30, 2007.

In the second half of 2007, Thenergo conducted two new capital increases following in-kind contributions, which reduced the stake from 35.20% to 29.19%.

Accounting translation

In the financial statements of THEOLIA as of June 30, 2007, these operations were reflected in two operations:

- the recognition of goodwill during the reserved capital increase of €5.6 million;

- a dilution profit because of the reserved capital increase and the market listing.

Dilution profit

• The dilution profit at June 30, 2007 is equal to the difference between:
    - the "enrichment" resulting from 35.2% * €73,522,000

(Capital increases): €25,877,000

    - the value of the securities received for the portion subscribed by THEOLIA: €(5,628,000)

- the dilution from 91.01 to 35.2% applied to shareholders' equity

before the operation, which is 56.55% * €580.600: €(329,000)

which is a dilution profit of **€19,920,000 (I)**

- The dilution profit for the second half of 2007 represents the difference between:
  - the "enrichment" corresponding to 29.19% * €26,801,000

  (Capital increase): €7,823,000
  - the dilution of 6.01% applied to shareholders' equity: €(4,762,000)

which is a dilution profit of **€3,061,000 (II)**

- Total dilution profit

o 1st half: €19,920,000

o 2nd half: €3,061,000

Thenergo dilution profit over 2007(I + II): **€22,981,000**

Note 32 – Taxes

The Group's policy on deferred taxes is described in Note 2.19 to the 2007 consolidated financial statements.

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

A deferred tax asset is recognized only to the extent that it is probable that the THEOLIA Group will have future taxable earnings against which this asset can be charged.

Note 36 – List of Group companies

Neoanemos is 95% held by Maestrale Holding Project SA, which is itself 50.32% held by Maestrale Green Energy. The percentage of control justifying full consolidation is therefore 100%, since the majority of the voting rights are held by the Group. On the other hand, the interest percentage is 47.81%.

Natursrometz was consolidated in 2007 using the full consolidation method, while the equity method should have been used because of the absence of exclusive control. This was corrected in the fiscal year 2008. Given the extremely insignificant nature of this impact on the Group's accounts, no error correction was recorded.

20.3. FISCAL YEAR ENDING 31 DECEMBER 2006

20.3.1. Consolidated financial statements for the year ending December 31, 2006 and Auditors' Report

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ending December 31, 2006 (established in accordance with IFRS including comparative data for fiscal 2005 under the same standards) and the related reports of the auditors are included by reference in this Reference Document. They appear respectively in sections 20.1 and 20.1.1 of the Reference Document of the Company approved by the AMF on October 17, 2007 under No. 07-153

20.4. INTERIM FINANCIAL AND OTHER INFORMATION

20.4.1. Consolidated half-year financial statements for the period ended June 30, 2009 and Auditor's Report

Consolidated balance sheet *in thousands of euros*

ASSETS	Notes	06/30/2009	12/31/2008
Goodwill	7	76,636	78,084
Other intangible assets	8	84,108	94,152
Tangible assets	9	343,520	341,678
Interests in associates	10	23,544	21,729
Other non-current financial assets		11,680	10,458
Deferred tax assets		13,088	9,483
Non-current assets		**552,576**	**555,584**
Inventories and work in progress	11	132,866	169,923
Trade receivables		27,956	24,885
Other current assets		39,095	53,900
Tax receivable on income		3,471	3,476
Financial assets, current portion		137	296
Cash and cash equivalents	13	81,762	90,823
Current assets		**285,287**	**343,302**
Assets related to discontinued operations		17,561	19,817
TOTAL ASSETS		**855,424**	**918,703**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	15	39,895	39,747
Additional paid-up capital		307,546	307,695
Other reserves		(176,932)	67,150
Net income (loss), Group share		(14,027)	(243,343)
Shareholders' equity, Group share		**156,482**	**171,249**
Minority interests		(1,611)	(1,489)
Shareholders' equity		**154,188**	**169,760**
Non-current financial liabilities	17	452,858	442,581
Provisions, non-current portion		11,028	3,844
Employee benefits		73	61
Deferred tax liabilities		22,720	22,033
Other non-current liabilities		561	561
Non-current liabilities		**487,240**	**469,080**
Current financial liabilities	17	116,611	146,666
Provisions, current portion		-	16
Trade payables and other current liabilities		63,091	103,226
Tax and social security liabilities		18,651	14,352
Income tax liability		1,660	2,480
Current liabilities		**200,013**	**266,742**
Liabilities related to discontinued activities		13,300	13 121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**855,424**	**918,703**

Statement of income in thousands of euros

	Notes	06/30/2009	06/30/2008
Revenues		**104,929**	**55,386**
Purchases and changes in inventory		(72,291)	(24,515)
External expenses		(15,779)	(15,527)
Income and other taxes		(648)	(918)
Personnel expenses	19	(5,744)	(13,407)
Amortization, depreciation and provisions		202	(14,560)
Other operating income and expenses	20	(202)	(1,070)
Income from continuing operations		**10,467**	**(14,611)**
Other non-current income and expenses		292	356
Operating income before impairment		**10,759**	**(14,255)**
Impairment	21	(8,783)	(378)
OPERATING INCOME (after impairment)		**1,976**	**(14,633)**
Cost of gross financial debt	22	(14,906)	(16,887)
Income from cash and cash equivalents	22	599	2,871
Cost of net financial debt	22	**(14,307)**	**(14,016)**
Other financial income and expenses	22	(604)	3,334
Financial income(loss)		**(14,911)**	**(10,682)**
Share in income (loss) of associates		(878)	(295)
Tax expense	23	2,579	2,633
Net income from continuing operations		**(11,234)**	**(22,977)**
Net income after taxes on discontinued activities or held for sale		(2,905)	(3,206)
NET INCOME		**(14,139**	**(26 183)**
Group share		(14,027)	(25,353)
Minority interests		(113)	(854)
Earnings per share (in euros)	24	(0.35)	(0.65)
Diluted earnings per share (in euros)	24	(0.34)	(0.45)

Income

in thousands of euros

	06/30/2009 (6 months)	06/30/2008 (6 months)
Net income	**(14,139)**	**(26,183)**
Currency translation adjustments	(51)	
Total income and expenses recognized	**(51)**	**-**
GLOBAL INCOME	**(14,190)**	**(26,183)**
Earnings per share (in euros)	(0.36)	
Diluted earnings per share (in euros)	(0.25)	

Statement of cash flows

in thousands of euros

	06/30/2009	12/31/2008	06/30/2008
Total net income of consolidated companies	**(14,140)**	**(244,097)**	**(26,182)**
Income (loss) from discontinued operations	3,458	16,650	(2,697)
Elim. of amortization, depreciation and provisions	8,731	156,680	15,309
Elim. of change in deferred taxes	(2,576)	(11,936)	(2,703)
Elim. of gains or losses on disposals	4,770	(4,887)	114
Elim. of the share in income/loss of associates	878	3,842	1,278
Financial expenses	14,833	30,819	15,272
Other iNcome and expenses without impact on cash	(3,231)	44,863	6,739
Gross cash flows (A)	**12,723**	**(8,067)**	**7,381**
Impact of the change in working capital requirements related to the activity (B)	10533	(129,193)	(76,344)
Income taxes paid	(1,286)	(8,715)	(2,213)
Flows related to discontinued activities	(1,166)	(1,751)	4,130
CASH FLOWS FROM OPERATING ACTIVITIES (a) = (A+B)	**20,803**	**(147,725)**	**(67,046)**
Acquisition of non-current assets	(7,267)	(46,404)	(12,720)
Acquisition of financial assets	(80)	(16)	(2,477)
Disposals of non-current assets	1,545	3,045	3,408
Change in loans	1,649	36,514	(7,118)
Impact of acquisitions of subsidiaries net of cash acquired	1,258	(64,573)	(52,904)
Flows related to discontinued activities	-	(2,295)	319
Link account	0	0	0
NET CASH FLOWS GENERATED BY INVESTING ACTIVITIES (b)	**(2 894)**	**(73,727)**	**(71,492)**
Dividends paid to minority interests	-	(0)	-
Treasury shares	118	373	46
Increase (reduction) in capital	-	1,589	723
Borrowings and other debt	31,383	102,304	47,193
Repayments of borrowings and other debt	(51,475)	(91,063)	(63,096)
Interest paid	(7,074)	(24,497)	(10,394)
Financing operations without impact on cash	-	(0)	-
Flows related to discontinued activities	-	(890)	63
NET CASH FLOWS GENERATED BY FINANCING ACTIVITIES (c)	**(27,049)**	**(12,184)**	**(25,465)**

Impact of changes in foreign exchange rates	41	70	(422)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**(9,099)**	**(233,567)**	**(164,425)**
Net cash and cash equivalents at beginning of period	90,819	325,920	325,920
Net cash and cash equivalents from discontinued activitiesat end of period	-	1,533	3,699
Net cash and cash equivalents at end of period *	81,720	90,819	157,796
CHANGE IN CASH AND CASH EQUIVALENTS	**(9,099)**	**(233,568)**	**(164,425)**
* Cash appearing on balance sheet	81,762	90,823	157,817
Bank overdrafts	(42)	(4)	(21)
Net cash and cash equivalents at end of period	***81,720***	***90,819***	***157,796***

Statement of changes in shareholders' equity in thousands of euros

	Capital	Additional paid-in capital	Currency translation adjustment	Consolidated reserves & income	Shareholders' equity, Group share	Minority interests	Total Share-holders' equity
Position at 01/01/2008	**38,682**	**307,171**	**226**	**58,064**	**404,143**	**277**	**404,420**
Income and expenses recognized in equity			(338)		(338)		(338)
Net income				(25,328)	**(25,328)**	**(854)**	(26,182)
Global income	**-**	**-**	**(338)**	**(25,328)**	**(25,666)**	**(854)**	**(26,520)**
Capital increase	218	505			723		723
Bonus shares				7,602	7 602		7,602
Treasury shares				(458)	(458)		(458)
Warrants granted				1,555	1,555		1,555
Change in scope of con-solidation				130	130		130
Other reclassifications				253	253	107	360
Position at 06/30/2008	**38,900**	**307,676**	**(112)**	**41,818**	**388,282**	**(470)**	**387,812**
Income and expenses recognized in equity			450		450		450
Net income				(218,014)	**(218,014)**	**99**	(217,915)
Global income	**-**	**-**	**450**	**(218,014)**	**(21, 564)**	**99**	**(217,465)**
Capital increase	847	19			866		866
Bonus shares				443	443		443
Treasury shares				(251)	(251)		(251)
Warrants granted				60	60		60
Change in scope of con-solidation				-	-		-
Other reclassifications				(587)	(587)	(1,118)	(1,705)
Position at 12/31/2008	**39,747**	**307,695**	**338**	**(176,531)**	**171,249**	**(1,489)**	**169,760**
Position at 01/01/2009	**39,747**	**307,695**	**338**	**(176,531)**	**171,249**	**(1,489)**	**169,760**
Income and expenses recognized in equity				(51)	(51)		(51)
Net income				**(14,027)**	**(14,027)**	**(113)**	**(14,140)**
Global income	**-**	**-**	**-**	**(14,078)**	**(14,078)**	**(113)**	**(14,191)**
Capital increase	148	(148)			-		-
Bonus shares				738	738		738
Treasury shares				66	66		66
Other reclassifications				(1,491)	(1,491)	(9)	(1,500)
Position at 06/30/2009	**39,895**	**307,546**	**338**	**(191,929)**	**156,482**	**(1,611)**	**154,871**

Note 1 General information

The THEOLIA company (the "Company") is a French *société anonyme* (limited liability company) with corporate offices in Aix-en-Provence, France. The Company and its subsidiaries (the "Group") conduct their business in the development of wind turbine project and the production of wind-based electricity. The Group also has environmental businesses that are currently being sold or closed. The Group operates primarily in France and in Europe.

The Company is listed for trading in Paris on the Eurolist by Euronext market, compartment B.

The Company closes its annual accounts on December 31. The period for which the financial statements are presented began on January 1, 2009 and closed on June 30, 2009.

The Group's financial statements were adopted by the Board of Directors on August 28, 2009.

The following explanatory notes accompany the presentation of the consolidated financial statements and are an integral part of those statements.

The financial statements are presented in thousands of euros, except where otherwise indicated, and are rounded up to the nearest thousand euros when the amount after the decimal point is equal to or greater than €500.

Note 2 Accounting principles and valuation methods

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

The consolidated financial statements of the THEOLIA Group are established in accordance with the IFRS (International Financial Reporting Standards), as adopted by the European Union.

The summary half-year statements, for the period ended June 30, 2009, are presented and have been prepared on the basis of the provisions of IAS 34 "Interim Financial Information".

Standards IAS 1 revised and IFRS 8, applied for the first time on January 1, 2009, represent a change in method treated as such in the statements for the period ended June 30, 2009 and have resulted in a restatement of the periods presented as a comparison.

Interim statements do not include all the information required by the IFRS for the preparation of consolidated financial statements. Therefore, these notes may be completed by a reading of the THEOLIA financial statements published for the year ending December 31, 2008.

The valuation and presentation principles and methods used to prepare the half-year statements are identical to those used in the consolidated financial statements for the year ending December 31, 2008.

The new texts published by the IASB and adopted by the European Union, the application of which was mandatory on June 30, 2009, are as follows:

a) IAS 1 revised "Presentation of financial statements": The application of IAS 1 revised resulted in the following changes in the presentation of the consolidated financial statements:

    a. Presentation of comprehensive income which integrates both the income and expenses recognized as profit or loss, but also those recognized as shareholders' equity; this result is presented in the statements of changes in shareholders' equity on a separate line which distinguishes transactions related or unrelated to shareholders;

    b. The balance sheet name is changed to "statement of financial position."

b) IAS 23 amended "Borrowings costs": this standard has no impact on the Group; borrowing costs were already capitalized.

c) IFRS 2 amended "Vesting conditions and cancellations". This has no impact on the Group's half-year financial statements.

d) IFRS 8 "Operating segments": the application of IFRS 8 led the Group to a segmentation of its operating sectors. Now, the sector information is presented according to the following segments:

    a. Electricity sales for own account;

    b. Development construction, sale;

    c. Operation (including electricity sales on behalf of third parties);

    d. Non-wind operations

For more details, refer to Note 18 "Segment information."

e) IFRIC 12 "Service concession arrangements": the consequences of this interpretation remain very limited.

The following texts have no impact on the Group:

f) IFRIC 13 "Customer loyalty programs": this interpretation is not relevant for the Group.

- **Continuity of operation**

The Group notes that its 2009 budget was established on a cash flow basis which is founded on the completion of a program to dispose of non-strategic assets and wind projects and assets. The successful implementation to date of this program, particularly the disposals of projects and wind assets, the proceeds from which were already received in the months of March, May, June and August 2009, confirms, without any significant change in the economic and financial environment of THEOLIA, the Group's ability to ensure the continuity of its operations over twelve months.

As of this date, the Group has a reasonable assurance of the successful completion of its disposal programs. On August 12, 2009, it also completed the sale of a portfolio of 100.6 MW of wind projects and assets to a known German group. However, in the event the planned disposals are delayed, THEOLIA still benefits from the option to defer certain investments in targeted projects to ease cash needs.

Therefore, the Group is able to prepare its consolidated financial statements in compliance with the convention of continuity of operations.

- **Covenants**

Given the unfavorable wind conditions in Europe in the first quarter of 2009, and the potential impact of the resulting cash flow losses on certain ratios, the Group is particularly careful in monitoring the covenants related to the borrowings contracts to finance its wind farms. In particular:

a) In France, the financing for the farm in operation for which the debt ratio was not met at December 31, 2008 was restructured to ensure the consistency of the financing with the long-term wind potential of the farm;

b) In Germany, the waiver related to financing of 10 million euros on Natenco GmbH was issued; the interest margin was temporarily raised and a new covenant was added.

In addition, for a farm in operation in France, financed independently, it is probable that the sliding minimum annual debt ratio will not be met because of very weak wind conditions in France during the first quarter of 2009. In such a case, discussions would be initiated with the bank in question to obtain a waiver, given the exceptional nature of the wind conditions during this half. In any event, on the closing date of the accounts, the elements constituting a default were not met, and THEOLIA will continue to carefully monitor this ratio like all ratios on the farms over the coming months.

- **Use of estimates**

Preparation of the half-year financial statements in accordance with the conceptual framework of the IFRS implies the use of estimates and assumptions which could have an impact on the amounts of certain assets, liabilities, income and expenses appearing in the statements.

- **Error correction – IAS 8**

Pursuant to IAS 8, an error found in the accounts of the Corseol subsidiary as of December 31, 2008 resulted in a correction for shareholders' equity with a contra in the "provisions" item of the statement of financial position. In effect, a provision of €1,111,000 for risks was recognized in the individual accounts after the closing of the consolidated financial accounts. This correction had no impact on the results for the first half of 2008.

- **Consolidation rules**

  - **Controlled entities**

Subsidiaries are consolidated if they are controlled by the Group, with the Group directing their financial and operational policies. Subsidiaries are consolidated using full consolidation as of the date on which the effective control is transferred to the Group. They are deconsolidated on the date on which this control ceases.

All balances and intra-group transactions are eliminated in consolidation.

  - **Associated enterprises**

Associated enterprises are companies in which the Group exerts a significant influence on operational and financial policy without holding control. In general, these are companies in which the Group holds at least 20% of the voting rights.

The Group's equity interests in associated enterprises are recognized using the equity method. The financial statements of the associated enterprises are included in the consolidated financial statements from the start date of the significant influence until the date the significant influence is lost.

Note 3 Characteristic events of the period

1. Change in the scope of consolidation

1.1. Increase in the interest in Theolia Emerging Markets

THEOLIA SA purchased the shares of Theolia Emerging Markets held by Jean-Marie Santander. This transaction was executed at the par value of the shares.

The conditions precedent included in the contract signed at the end of 2008 were met on January 14, 2009. Since that date, the Group has held 95.24% of the shares of Theolia Emerging Markets, compared with 47.62% previously.

1.2. Closing of subsidiaries

In a communication of January 29, 2009, Management presented the conclusions of its review of the geographic repositioning of the Group.

THEOLIA decided to focus on three major European markets: Italy, France and Germany.

Given their large growth potential, the Group believes India, Brazil and Morocco to be potential future key markets; the Group will confirm its commitment in these countries by the end of the year.

Finally, the Group announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia. The operations to sell or close these subsidiaries are in progress.

2. New Board of Directors

2.1. Resignation of two directors

On January 29, 2009, the Group announced the resignation of Philippe Perret from his seat on the Board. Philippe Perret was Executive Vice President of Finance for THEOLIA until October 13, 2008.

On February 13, 2009, the Group announced the resignation of Arne Lorenzen from his seat on the Board. This resignation was tendered pursuant to the Company's recent decision to no longer have executive employees on the Board of Directors. Arne Lorenzen, who is Executive Vice President for Operations for THEOLIA, retains his operating functions.

2.2. Election of three new directors

The Ordinary Shareholders' Meeting of THEOLIA was held on Thursday, June 11, 2009. It re-elected Louis Ferran, Georgius J.M. Hersbach and Eric Peugeot to the Board, as well as Sofinan Sprl, represented by Norbert van Leuffel. The Meeting also elected Willi Balz, Philippe Dominati and Marc van't Noordende to seats on the Board.

At the end of that Meeting, the THEOLIA Board has seven members.

3. Management

Early in April 2009, the Board of Directors decided to re-appoint for an indefinite period Marc van't Noordende as Chief Executive Officer of THEOLIA. Marc van't Noordende had served as interim Chief Executive Officer since September 29, 2008.

The Board of Directors also appointed Olivier Dubois Deputy Chief Executive Officer and corporate officer for the Group as of May 1, 2009.

4. Status of the program to dispose of the non-wind assets and interests

Pursuant to the Group's strategy to focus on its wind activities, at the end of December 2008, THEOLIA sold its entire stake (24.02%) in Thenergo to Hestiun Limited. Early in May 2009, the Group received 15 million euros for this sale. The impairment funded at the 2008 closing was reversed in its entirety over the period. The impact on income was €15,000,000 on the item "Amortization, depreciation and provisions." The contra entry was in the item "Other current items" on the balance sheet.

This sale was the first significant sale for the Group under its program to divest itself of its non-wind assets and interests.

In April 2009, the Group also completed the sale of the Swiss company Biocarb (manufacture of biofuels).

5. Resumption of sales of wind farms in Germany to third parties

As announced in November 2008, the Group decided to reactive in 2009 its sales of wind farms to third parties. As a result, 35.5 MW were sold in the first quarter of 2009 and 3 MW were sold in the second quarter of 2009.

6. Status of the program to sell approximately 200 MW of wind projects and assets

6.1. Signature of an agreement to sell 100 MW of wind farms in Germany to RheinEnergie

In June 2009, THEOLIA and RheinEnergie AG signed an agreement for the sale of 100.6 MW of operating wind farms and wind projects.

The portfolio contains 19 wind farms in Germany, About 80 MW of the 100.6 MW sold are in operation, and it is planned to place the rest into production by the end of the year.

The sale was made by Natenco, the Germany subsidiary of THEOLIA, which will operate the farms for their useful life.

The amount of the transaction was not made public.

This transaction was submitted for authorization by the German Bundeskartellamt (the federal competition authority). This request for authorization was being reviewed as of June 30, 2009.

RheinEnergie AG has been the regional electricity, natural gas, heating and drinking water supplier for the Rhine region around the city of Cologne for more than 135 years.

6.2. Sale of a 32 MW wind portfolio in France to Energiequelle

At the end of June 2009, THEOLIA sold 32 MW of wind projects in France to Energiequelle.

This portfolio includes the following 3 wind farms, all located in northeastern France:

- Baudignecourt (Meuse) representing 12 MW, under construction;
- Charmois (Meuse) representing 12 MW, with the permit obtained;
- Chermisey (Vosges) representing 8 MW, with the permit obtained.

The building permits have been purged of all objections. The three projects are scheduled to begin production by the end of 2010.

The amount of the transaction was not made public.

Energiequelle GmbH is one of the German leaders in the development of wind, photovoltaic and biogas projects.

Note 4 Post-closing events

Status of the program to sell non-wind assets and interests

The Group is continuing its efforts to complete its program to refocus on its wind businesses. Thus, in July 2009, the Group sold Theolia Canada and Theolia Premières Nations (development of hydraulic projects in Canada) and its two peaking units held by the companies SAPE and SAEE.

Status of the program to sell 100 MW of wind assets

On August 12, 2009, the Group finalized the sale of wind farms in operation and wind projects representing 100.6 MW to RheinEnergie (Cologne, Germany). The signature of this agreement was announced on June 29, 2009. The sale was executed on August 12, 2009 after the conditions precedent had been met.

Note 5 Changes in the scope of consolidation

- **Scope of consolidation**

As of June 30, 2009, the scope of consolidation included, in addition to the parent company:

- 154 companies in which it directly or indirectly holds exclusive control (versus 129 at December 31, 2008).
- 6 companies in which it exercises significant influence (versus 8 at December 31, 2008).

The complete list of these companies is provided in Note 28 "List of Group companies."

- **Acquisitions**

During the period, the Group made the following acquisitions:

- In France : SNC Vesaignes, a project support company in the development phase:
- In Germany: the Waltrop, Netphen and Klein Steimke companies which carry 3 wind farms including in the planned sale of 100 MW.

- **Disposals**

During the period, the Group made the following disposals:

- Sale of the Biocarb company in the context of the Group's withdrawal from non-wind activities;

- o Sale of the Kraenzlin company which carries the Markisch Linden wind farm;
- o Sale of 3 project support companies to Energiequelle in the context of the program to sell wind assets.

- **Other changes**

In the context of the sale of 100 MW in Germany, project support companies have been formed and carry the wind assets.

Note 6 Business combinations

- **Assets and liabilities previously acquired**

In thousands of euros	Maestrale Group	Goodwill	Price ad-justments 2008 (1)	Price ad-justments 2009 (1)	Maestrale Group (GW allocated)
Acquisition date	***11/22/2007***				
Goodwill		5,831	23,078	(109)	28,800
Intangibles assets	2,498				2,498
Tangible assets	2,222				2,222
Non-current financial assets	3,615				3,615
Deferred tax assets	5				5
Inventories	583				583
Trade receivables	163				163
Other current assets	1,857				1,857
Cash and cash equivalents	538				538
Non-current financial assets	6,673				6,673
Other non-current liabilities	1				1
Current financial liabilities	487				487
Provisions	29				29
Trade and other payables	3,342				3,342
Tax and social security liabilities	19				19
Deferred tax liabilities	0				-
Total net assets acquired	**931**	**5,831**	**23,078**	**(109)**	**29,731**
Purchase price of shares	5,560		23,078	(109)	28,529
Acquisition costs	1,202				1,202
Total cost of acquisition	**6,761**	**-**	**23,078**	**(109)**	**29,731**
Net goodwill	**5,831**		**23,078**	**(109)**	**28,800**

(1) price supplement

The goodwill recognized as of December 31, 2008 in the amount of €28,909,000 changed by €(109,000) during the period following the adjustments to the price supplements tied to obtaining the construction permits for the Guinchetto, Pergola and Bovino projects.

The contract to acquire the Maestrale Group stipulates the price supplements will be paid for obtaining construction permits for the first 100 MW. The calculation of the supplements is determined so that the value of each MW developed amounts to €500,000. In practice, the amount of the price supplement will be €500,000/MW minus development costs already invoiced by the developer.

Thus, the additional goodwill booked remains allocated to Maestrale Green Energy. It reflects the company's ability to develop and sell wind farms and is based on the future profits that will result from these activities.

- **Principal assets and liabilities acquired during the period**

The acquisitions for the period include companies with non-significant assets and liabilities.

Note 7 Goodwill

- **Change in the item**

	Gross value	Impairment	Net value
Values at beginning of period at 01/01/2009	**212,155**	**134,071**	**78,084**
Impairment	-	2,149	(2,149)
Business combinations	13	-	13
Disposals	(1,374)	(1,354)	(20)
Other changes	708	-	708
Values at end of period at 06/30/2009	**211,501**	**134,865**	**76,636**

The additional acquisition of Theolia Emerging Markets shares resulted in the recognition of goodwill for €1,709,000 (€891,000 of which was posted at December 31, 2008), which was impaired in its entirety at June 30, 2009.

The disposals completed during the period primarily concern the Biocarb company, in the amount of €(1,354,000).

Impairment affects the following companies:

- Theolia Emerging Markets €(1,709,000)
- Compagnie Eolienne du Détroit (CED) €(440,000)

Note 8 Intangible assets

	Projects in development	Development costs (1)	Software and similar rights	Other intangible assets	TOTAL
Gross values at beginning of period 01/01/2009	**40,130**	**4,176**	**602**	**91,638**	**136,546**
Acquisitions and assets generated internally	644	-	38	8	**690**
Decrease	(207)	-	-	-	**(207)**
Disposals	(3,287)	-	-	(18)	**(3,305)**
Currency translation adjustment	7	-	-	(195)	**(188)**
Other changes	130	-	-	-	**130**
Gross values at closing at 06/30/2009	**37,417**	**4,176**	**640**	**91,433**	**133,666**
Total depreciation and amortization at beginning of period 01/01/2009	**(9,934)**	**(488)**	**(460)**	**(31,511)**	**(42,394)**
Amortization	(63)	(151)	(77)	(1,553)	**(1,844)**
Depreciation for impairment	(775)	-	-	(4,669)	**(5,444)**
Currency translation adjustment	(7)	-	-	131	**124**
Total depreciation and amortization at closing at 06/30/2009	**(10,779)**	**(639)**	**(537)**	**(37,602)**	**(49,558)**
Net values at beginning of period at 01/01/2009	**30,196**	**3,688**	**142**	**60,127**	**94,152**
Net values at end of period at 06/30/2009	**26,638**	**3,537**	**103**	**53,831**	**84,108**

(1) Most of the item represents development costs for wind projects.

The gross value of the wind projects in progress was decreased by €(2,713,000), €(3,287,000) of which is due to the sale to Energiequelle of the Chermisey, Charmois and Baudignecourt companies. The acquisitions and assets generated internally and realized during the period, representing €644,000, primarily concern the progress of the wind projects in development in France for €164,000 and in Italy for €479,000.

Amortization of the other intangible assets for €(1,553,000) essentially represents the amortization in the amount of €(1,368,000) for CED's possession rights.

Depreciations for impairment in the amount of €(775,000) were taken on certain projects in development located in France. The amount was €(775,000) because of the risks existing at the stage of the projects.

Depreciation for impairment on the other intangible assets in the amount of €(4,669,000) concerning the wind farm project in Almeria (Spain) for €(800,000) and the wind farm licensed from CED for €(3,869,000).

Note 9 Tangible assets

	Land	Fixtures & improvements	Projects under cons-truction	Technical facilities (1)	Other tangible assets	TOTAL
Gross values at beginning of period 01/01/2009	**6,737**	**3,442**	**30,097**	**388,350**	**3,551**	**432,177**
Acquisitions	7	41	4,602	4	61	**4,715**
Business combinations	-	33	-	922	-	**955**
Disposals	(35)	(507)	(2,571)	(409)	(155)	**(3,677)**
Currency translation adjustment	-	(14)	28	(1)	24	**37**
Other changes	-	-	(1,314)	14,102	(7)	**12,781**
Gross values at closing at 06/30/2009	**6,709**	**2,995**	**30,842**	**402,968**	**3,474**	**446,988**
Total depreciation and amortization at beginning of period 01/01/2009	**(1,220)**	**(1,664)**	**(3,847)**	**(81,876)**	**(1,894)**	**(90,499)**
Amortization	-	(156)	-	(10,632)	(252)	**(11,040)**
Depreciation for impairment	-	-	(1,200)	-	11	**(1,189)**
Business combinations	-	-	-	(12)	-	**(12)**
Reversals on disposals	-	500	-	44	27	**571**
Currency translation adjustments	-	(3)	-	(1)	-	**(4)**
Other changes	-	-	-	(1,302)	7	**(1,295)**
Total depreciation and amortization at end of period at 06/30/2009	**(1,220)**	**(1,323)**	**(5,047)**	**(93,779)**	**(2,101)**	**(103,468)**
Net values at beginning of period at 01/01/2009	**5,517**	**1,778**	**26,250**	**306,474**	**1,657**	**341,678**
Net values at end of period at 06/30/2009	**5,489**	**1,672**	**25,795**	**309,189**	**1,373**	**343,520**

The principal changes in tangible assets were on projects under construction and the technical facilities (wind farms).

The total change in projects under construction is €745,000. It primarily reflects the following:

- The wind projects in France increased by €1,406,000;
- The Italian Guinchetto and Martignano projects increased by €3,133,000;
- The wind projects in France benefited from a decrease of €(760,000) in the cost of construction;

- The sales related to changes in scope of consolidation (Chermisey and Beaudignecourt) totaled €(1,811,000);
- The value of the assets for the Alméria project (Spain – PESA) was adjusted as a result of the cancellation of an invoice for €1,300,000 (other changes).

Based on the estimated recoverable value of the Almeria project in Spain (PESA), an additional depreciation for impairment in the amount of €(1,200,000) was recognized during the period.

The technical facilities increased by €14,618,000. This change is related to the following transactions:

- acquisition of a new company (WINDKRAFTANLAGE) in Germany for €922,000, which is intended for resale;
- reallocation of the values recorded between gross and net for a German company (Wolgast) for €1,237,000;
- reclassification in the amount of €12,800,000 made at Solarkraftwerk.

Note 10 Associated enterprises

As of June 30, 2009, income/loss from associated enterprises reflects the share of the consolidated income/loss of the associate companies.

In thousands of euros	% of control	Share in net position of associates	Share in income/loss of associates
Erneuerbare Energie Ernte Vier Gmbh	48.00%	(115)	(5)
Naturstromez	48.00%	-	-
Ecolutions	35.29%	23,001	(870)
Theolia India Wind Power	50.00%	658	13
Theolia Sitac Wind Power	50.00%	0	(0)
Asset Electrica	50.00%	0	(15)
Total at end of period at 06/30/2009		**23,544**	**(878)**

Note 11 Inventories

	06/30/2009	12/31/2008
Wind projects	113,743	137,033
Other energy projects	34	12,954
Materials	23,148	25,565
Depreciation	(4,059)	(5,629)
Net value	**132,866**	**169,923**

The net change in the inventory of wind projects since the previous closing date was €(23,290,000).

As discussed as of 12/31/2008, a number of wind projects acquired in 2008 by Natenco GmbH were inventories pending sale. Over the first half of 2009, the sales completed generated a change in inventory in the amount of €(51,585,000).

The acquisitions of projects in Germany over the period totaled €27,512,000.

The balance of the change impacted other entities of the Group.

The inventory of materials primarily reflects Natenco GmbH for €22,003,000, which has spare parts for the wind farms.

The inventory of wind projects by geographic region can be analyzed as follows (in gross value):

France: €24,829,000

Germany: €87,534,000

Italy: €507,000

Other: €873,000

Note 12 Derivative instruments

The derivative instruments executed to manage the rate risk on variable rate borrowings were recognized at their fair value on June 30, 2009 with a contra in income.

The valuation of the rate swaps at June 30, 2009 thus recognized resulted in an expense of €(1,188,000) versus an expense of €(7,947,000) for the fiscal year 2008.

Following the 2008 sale of its stake in Thenergo €(15,000 K), the Group holds the possibility of exercising a purchase option under the following conditions:

- 110% of the sale price until December 24, 2009
- 120% of the sale price until December 24, 2010

Pursuant to IAS 39, this option is recognized at its fair value in the financial statements closed at June 30, 2009 with a contra item as income. The impact of the financial income for the period was €1,025,000.

Note 13 Cash and cash equivalents

	06/302009	12/31/2008
Marketable securities (net)	31,808	24,874
Liquid assets	49,954	65,950
Total cash and cash equivalents	81,762	90,824
Bank loans	(41)	(4)
Net cash flow	81,721	90,820

The Group's cash consists of a liquid portion and a blocked portion. The blocked portion includes the cash available with limitations and the cash totally blocked.

The blocked cash was €45,780,000. This cash is entirely held by Group subsidiaries and, for most of the companies, is blocked because of bank pledges.

The marketable securities held by THEOLIA SA totaled €25,967 K (compared with €15,093,000 at December 31, 2008).

Note 14 Operations discontinued, sold or being sold

In the context of its reorganization, the Group decided to sell all its assets considered non-strategic: primarily the assets of the non-wind businesses. This decision was authorized by the THEOLIA Board of Directors in November 2008. As of June 30, 2009, the process of withdrawal has advanced, since negotiations are in progress.

The relevant assets and liabilities representing operations are recognized in the following companies:

Environmental division

- SERES environnement
- Ecoval 30
- Nemeau
- Therbio

Peaking units

- o CS2M
- o SAPE
- o SAEE

The sale of these assets was posted in the annual statements as of December 31, 2008 pursuant to IFRS 5 "Non-current assets held for sale or discontinued operations". As of June 30, 2009, this accounting treatment was maintained.

Thus, all transactions for the year relating to the environmental division and the dispatchable power plants were combined on the income statement line "Net income from operations held for sale." The assets and liabilities were combined on one line on the asset and liability sides of the balance sheet "Assets/Liabilities related to discontinued operations."

The asset values were impaired on the basis of the probable sale prices.

As these operations were discontinued, the income statement for the comparative period (as of June 30, 2008) was restated to present comparative information established in accordance with IFRS 5.

- **Information concerning the 2009 income statement**

In thousands of euros	THEOLIA Group before IFRS 5 06/30/2009	IFRS 5 restate-ments	THEOLIA Group restated for IFRS 5 06/30/2009
Revenues	**109,796**	**(4,868)**	**104,929**
Other income from ordinary activities	1,080	(37)	1,043
Income from ordinary activities	110,877	(4,905)	105,972
Purchases and changes in inventories	(73,333)	1,042	(72,291)
Capitalized production	(227)	227	
External expenses	(18,547)	2,768	(15,779)
Personnel expenses	(8,093)	2,349	(5,744)
Income and other taxes	(852)	204	(648)
Amortization, depreciation and provisions, net	139	63	202
Other operating income and expenses	(997)	(248)	(1,245)
Income from continuing activities	**9,420**	**1,047**	**10,467**
Impairment	(10,112)	1,329	(8,783)
Other non-current income and expenses	204	88	292
Operating income	**(490)**	**2,464**	**1,976**
Cost of net debt	(14,463)	156	(14,307)
Other financial income and expenses	(749)	145	(604)
Financial income (loss)	**15,213**	**(301)**	**14,911**
Share in net income/loss of associates	(1,057)	179	(878)
Taxes	2,618	(40)	2,579
Net income from continuing activities	**(14,141)**	**2,905**	**(11,234)**
Net income from operations held for sale	()	(2,905)	(2,905)
NET INCOME (LOSS)	**(14,140)**		**(14,823)**
Group share	(14,027)		(14,027)
Minority interests	(113)		(113)

- **Information related to the income statement 2008**

In thousands of euros	THEOLIA Group before IFRS 5 06/30/2009	IFRS 5 res-tatements	Adjustments	Groupe THEOLIA Retraité IFRS 5 30/06/2008
Revenues	**61,885**	**(6,499)**		**55,386**
Other income from ordinary activities	664	(55)		609
Purchases and changes in inventories	(25,983)	1,468		(24,515)
External expenses	(18,092)	2,565		(15,527)
Personnel expenses	(15,939)	2,532		(13,407)
Income and other taxes	(1,130)	212		(918)
Amortization, depreciation and provisions, net	(16,243)	755	928	(14,560)
Other operating income and expenses	(1,747)	305	(237)	(1,679)
Income from continuing activities	**(16,584)**	**1,283**	**691**	**(14,610)**
Impairment	(475)	788	(691)	(378)
Other non-current income and expenses	328	28		356
Operating income (loss)	**(16,730)**	**2,098**		**(14,632)**
Cost of net debt	(14,183)	167		(14,016)
Other financial income and expenses	3,342	(8)		3,334
Financial income (loss)	**10,841**	**(159)**		**10,682**
Share in net income/loss of associates	(1,278)	983		(295)
Taxes	2,668	(35)		2,633
Net income from continuing activities	**(26,181)**	**3,206**		**(22,976)**
Net income from activities held for sale		(3,206)		(3,206)
NET INCOME (LOSS)	**(26,181)**			**(26,182)**
Group share	(25,328)			(25,328)
Minority interests	(855)			(854)

Note 15 Capital stock

- **Number of shares outstanding**

As of June 30, 2009, the capital was represented by 39,895,207 shares with a par value of €1 each.

	Par value (€)	Number of shares at 01/01/2009	Bonus shares	Number of shares at 06/30/2009
Number of shares	1	39,746,992	148,215	39,895,207*
Number of securities	**1**	**39,746,992**	**148,215**	**39,895,207**
Share capital		**39,746,992**	**148,215**	**39,895,207**

* Inc. 54,037 treasury shares

Double voting rights are awarded to French shareholders and shareholders who are residents of the European Community for fully paid-up shares that have been registered for at least two years in the name of the same shareholder.

Note 16 Share-based compensation

- **Number of stock warrants**

Warrants that may be exercised at December 31, 2008	**3,940,650**
Warrants cancelled	18,000
Balance at June 30, 2009	**3,922,650**

The expense of €28,000 posted for the period reflects warrants awarded prior to the period by THEOLIA SA.

The amount still be charged is €28,000.

- **Bonus shares**

Bonus shares were allotted on the following dates:

- In 2005: 16,000
- October 13, 2006: 407,500
- February 6, 2007: 175,215
- January 8, 2008: 100,000
- January 30, 2008: 313,500
- February 11, 2009: 44,407
- June 11, 2009: 199,426

a total of 1,256,048 shares

657,333 shares must still be created representing allotments from January 2008 to the end of June 2009.

The bonus share allotments were valued at the price on the allotment date (for the 2009 allotments, this was €2.55 for the allotment of February 11, 2009 and €3.12 for the allotment of June 11, 2009).

The expense of €710 K recognized for the period represents:

- shares allotted in 2007: €66,000
- shares allotted in 2009: €644,000

The expense remaining to be charged for bonus shares in 2009 is €91,000.

Note 17 Financial liabilities

- **Net debt (current/non-current)**

	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
	Current	Non-current		
Borrowings from credit institutions	107,871	108,799	131,878	348,548
Convertible bond	2,400	-	209,076	211,476
Debt on finance leases	-	9	-	9
Sub-total borrowings	**110,271**	**108,808**	**340,954**	**560,033**
Bank overdrafts and equivalent	41	-	-	41
Other financial liabilities	6,299	3,096	-	9,395
Total financial liabilities	**116,611**	**111,904**	**340,954**	**569,469**

- **Change in borrowings and financial debt**

	Borrowings from credit institutions	Convertible bond	Debt on finance leases	Bank overdrafts & equiva-lent	Other financial liabilities	TOTAL
Values at beginning of period 01/01/2009	**376,686**	**204,223**	**8**	**4**	**8,325**	**589,246**
Increase	32,121	7,253	-	-	1,695	**41,069**
Redemption	(51,741)	-	-	37	(129)	**(51,833)**
Business combinations	814	-	-	-	13	**827**
Change in scope of consolidation	(9,282)	-	-	-	(2,079)	**(11,361)**
Currency translation adjustment	(50)	-	-	-	(2)	**(52)**
Other changes	(1)	-	-	-	1,574	**1,573**
Values at end of period at 06/30/2009	**348,547**	**211,476**	**8**	**41**	**9,397**	**569,469**

The change of €+9,629,000 in financial debt primarily reflects the following transactions:

Increase in borrowings from credit institutions:	€32,121,000
Financing of wind power plants for own account:	€19,923,000
CED borrowing:	€5,887,000
Financing of Natenco GmbH:	€5,560,000
Interest accrued:	€731,000
Decrease in borrowings from credit institutions:	€(51,741,000)
Financing of projects for sale to third parties:	€(7,867,000)
Financing of wind power plants for own account:	€(16,666,000)
Financing of Natenco GmbH:	€(1,500,000)
Interest accrued:	€(57,000)
Repayment of loan contracted by CED company:	€(5,256,000)
Repayment of loan contracted by Markisch Linden:	€(20,395,000)

The decreases resulting from changes in the scope of consolidation, in the amount of €(9,282,000), reflect the sale of the company carrying the wind farms sold in the first quarter of 2009.

The change of €7,253,000 in the OCEANE convertible bond is related to the recognition of the interest accrued over the first half of 2009, i.e. €(2,400,000), and the recognition of additional interest because of the hybrid nature of the bond (existence of a debt component and equity) and the application of the effective interest rate.

Note 18 Segment information

Pursuant to IFRS 8 and for greater transparency, the Group has redefined its business segments as follows:

- The Sale of electricity for own account represents the sale of the power produced by the wind farms held by the Group.
- Development, construction, and sale includes the development, construction and sale of wind projects and farms.
- The Operations segment covers the management of the wind farms for third parties and the sale of the electricity produced by the wind farms management, but not owned, by the Group.
- The non-wind business is non-strategic and is currently being sold.
- Corporate primarily represents the holding company THEOLIA SA.

- ### Information for the period

06/30/2009 (in thousands of euros)

Statement of financial position	Wind activities			Non-wind activities	Corporate	Inter-segment elim.	Total
	Sale of electricity for own account	Wind development construction sale	Operation				
Total non-current assets	370,416	139,100	97	35,913	6,369	(3)	552,575
Total current assets	276,206	(3,962)	1,931	13,625	15,078	(28)	302,849
TOTAL ASSETS	646,621	135,138	2,028	49,538	22,130	(31)	854,740
Total non-current liabilities	236,989	39,440		152	210,659		487,240
Total current liabilities	59,904	92,553	6,738	24,931	29,187		213,313
TOTAL LIABILITIES	296,893	131,993	6,738	25,084	239,846	-	700,553

06/30/2009 (in thousands of euros)

Statement of income	Wind activities			Non-wind activities	Corporate	Inter-segment elim.	Total
	Sale of electricity for own account	Wind development construction sale	Operation				
Revenues	27,733	57,245	19,075	875	2,953	(2,953)	**104,928**
Inter-activity sales			-	-	(2,953)	2,953	-
Total	**27,733**	**57,245**	**19,075**	**875**	**-**	**-**	**104,929**
Income from cont. operations	**7,298**	**(1,466)**	**(290)**	**(871)**	**5,795**	**-**	**10,467**
Impairment	(4,309)	(2,775)	-	11	(1,709)	-	(8,783)
Other non-current income and expenses	(96)	63	-	248	77	-	291
Operating income (loss)	**2,893**	**(4,178)**	**(290)**	**(612)**	**4,163**	**-**	**1,974**
Share in income/loss of associates	-	(878)	-	-	-	-	(878)

- ### Comparative information

12/31/2008 (in thousands of euros)

Statement of financial position	Wind activities			Non-wind activities	Corporate	Inter-segment elim.	Total
	Sale of electricity for own account	Wind development construction sale	Operation				
Total non-current assets	382,963	141,797	102	25,297	5,433	(9)	555,583
Total current assets	65,516	202,679	9,478	29,437	56,011	(2)	363,119
TOTAL ASSETS	448,478	344,476	9,579	54,734	61,444	(11)	918,701
Total non-current liabilities	238,990	24,305		67	205,718		469,080
Total current liabilities	54,742	112,650	45,239	25,230	42,003		279,863
TOTAL LIABILITIES	293,732	136,955	45,239	25,297	247,720	-	748,943

30/06/2008 (in thousands of euros)

Statement of income	Wind activities	Non-wind	Corporate	Inter-	Total

	Sale of electricity for own account	Wind development construction sale	Operation	activities			
Revenues	31,199	43	22,014	2,454	3,644	(3,968)	**55,386**
Inter-activity sales		(54)		(270)	(3,644)	3,968	**(0)**
Total	**31,199**	**(11)**	**22,014**	**2,184**	**(0)**	**-**	**55,386**
Income from cont. operations	**8,576**	**(8,368)**	**1,835**	**(1,454)**	**(15,199)**	**-**	**(14,611)**
Other operating income and expenses	57	(116)	-	(17)	433	-	356
Operating income (loss)	**8,633**	**(8,900)**	**1,835**	**(1,472)**	**(14,729)**	**(0)**	**(14 632)**
Share in income/loss of associates	5	(139)	-	(161)	-	-	(295)

Note 19 Personnel expenses

	06/30/2009	06/30/2008
Employee compensation	3,713	4,098
Social security expenses	1,311	2,064
Other personnel expenses	10	-
Other employee benefits and share-based payments (IFRS 2)	710	7,245
Total employee expenses	**5,744**	**13,407**

Employees at end of period	06/30/2009	06/30/2008
Managers, employees and contributors	276	312
Total	**276**	**312**

Note 20 Other operating income and expenses

	06/30/2009	06/30/2008
Share-based compensation (allotment of warrants)	(28)	(4,803)
Income from ordinary operations	1,043	609
Other operating income and expenses	(1,217)	3,124
Total	**(202)**	**(1,070)**

Note 21 Impairment

	06/30/2009	06/30/2008
Impairment of non-current assets	(6,634)	37
Impairment of goodwill	(2,149)	-
Total	**(8,783)**	**(378)**

Impairment of assets primarily reflects:

- Leasehold rights on the wind farm (CED) €(3,869,000)
- Right to use the power line (Almeria) €(2,000,000)

Impairment on goodwill represents:

- Theolia Emerging Markets €(1,709,000)
- CED €(440,000)

Note 22 Net financial income

- **Analysis of the item**

Income from cash and cash equivalents	06/30/2009	06/30/2008
Interest income generated by cash and cash equivalents	197	910
Income from sale of cash equivalents	349	1,729
Other income	53	233
Income from cash and cash equivalents	**599**	**2,871**

Cost de l'endettement financier brut	06/30/2009	06/30/2008
Interest expense on financing operations	(14,906)	(16,887)
Total	**(14,906)**	**(16,887)**
Cost of net financial debt	**(14,307)**	**(14,016)**

The cost of the net financial debt can be analyzed as follows:

- Convertible bond at THEOLIA: €(6,687,000)
- Borrowings at Natenco Gmbh: €(1,426,000)
- Borrowings for German wind farms: €(4,152,000)
- Borrowings for French wind farms: €(1,780,000)

Autres produits et charges financiers	06/30/2009	06/30/2008
Change in the fair value of financial instruments	(245) (1)	2,596
Reversals of provisions	19	-

Foreign exchange loss/gain	(474)	(649)
Net expenses on sales of marketable securities	-	(110)
Other financial income and expenses	97	1,497
Other financial income and expenses	**(604)**	**3,334**

(1) Including recognition of the value of the option to buy Thenergo shares for 1.025 million euros.

Note 23 Income taxes

In thousands of euros	06/30/2009	06/30/2008
Corporate income payable	(467)	(654)
Deferred taxes	3,046	3,287
Total	**2,579**	**2,633**

Note 24 Earnings per share

Description	06/30/2009	06/30/3008
Income attributable to shareholders of the company (in €K)	(14,027)	(25,353)
Weighted average number of shares outstanding (in thousands)	39,811	38,886
Base earnings per share (in euros)	**(0.35)**	**(0.65)**
Income attributable to shareholders of the company (in €K)	(14,027)	(25,353)
Number of shares outstanding at 06/30/2009	39,895	38,886
Adjustments related to subscription warrants	475	4,818
Convertible bonds	-	11,538
Adjustments related to bonus shares allotted	657	989
Number of shares on a diluted basis	41,027	56,231
Diluted earnings per share (in euros)	**(0.34)**	**(0.45)**

Note 25 Related parties

- Transactions with associated enterprises

Transactions with associated enterprises represent the transactions with the companies in which THEOLIA exerts a significant influence and which are accounted for using the equity method.

Transactions with associated enterprises are executed on the basis of the market price.

- Transactions between the Group and the directors

They include the transactions executed over the period with FC Holding, in which Willi Balz, a director of the THEOLIA company, is an executive, which are summarized in the table below:

In thousands of euros	06/30/2009	12/31/2008
Operating income	45,951	70
Operating expenses	(55)	(5,477)
	45,896	**(5,407)**

In thousands of euros	06/30/2009	12/31/2008
Operating receivables	3,957	2,154
Operating payables	(843)	(1,887)
	3,114	**267**

The operating income generated with FC Holding in the amount of €45,951,000 was generated in the normal framework of the sale of wind farms in Germany, prior to the election of Willi Balz as a director of THEOLIA SA by the Shareholders' Meeting of June 11, 2009.

Over the first half of 2008, THEOLIA recognized an expense of €1,554,000 for the stock warrants for the directors of the company, and an expense of €7,602,000 for bonus shares, including €1,869,000 for non-salaried directors of the company.

In addition, a strategic expertise agreement existed between FARACHA and THEOLIA; the impact on the first half of 2008 was €295,000.

Note 26 Executive compensation

€ thousand	30/06/2009	30/06/2008
Salaries and bonuses	133	408
Share-based compensation	622	5,130
Directors' fees	132	120
Other compensation	275	295
	1,162	5,953

The compensation for the Management of THEOLIA SA is included in the executive compensation.

Note 27 Commitments and contingent liabilities

- **Commitments given**

THEOLIA as the holding company, or the subsidiaries in their capacity as parent company in each country, grant different guarantees to allow the sub-subsidiaries to conduct their activity. These commitments were as follows:

- **Guarantee to cover working capital requirements:**

In Germany, THEOLIA guaranteed a maximum of 7.5 million euros to the Südwestbank and to Vorarlberger Hypo Landesbank as a guarantee of two lines of credit in the amount of 10 million euros each made by the two banks to NATENCO GmbH, a subsidiary of THEOLIA. These lines of credit are intended to finance the working capital requirements of NATENCO.

In addition, THEOLIA granted a letter of comfort to the banks of THEOLIA Deutschland in the amount of 2 million euros.

- **Guarantees to turbine suppliers:**

In Italy, THEOLIA offered a joint guarantee in the amount of 36.4 million euros to Vestas under a contract to sell 35 wind turbines dated July 18, 2008 between Vestas and Aerochetto Italy, a subsidiary of Maestrale, for the Aero-Chetto project.

- **Guarantees for the financing of wind farms:**

- **In France**

In France, certain companies:

- Theowatt,
- Natenco SAS
- THEOLIA France
- and Royal Wind,

granted, in their capacity as holding companies for 100% of project support companies (SSP), pledges on financial instrument accounts or pledges of founders' shares to guarantee the financial debts contracted by the following SSP:

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

In addition, the framework agreements with the banks stipulate a joint commitment from THEOLIA, THEOLIA France and Theowatt to provide the SSP, via capital contributions and/or shareholder loans, the amounts corresponding to the fraction of the construction costs of the wind farms agreed with the bank. Likewise, under the terms of these agreements, THEOLIA, THEOLIA France and Theowatt are jointly liable for covering, via new capital contributions and/or shareholder loans, any construction budget overruns approved with the banks.

These commitments involve the following SSP:

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

Finally, the framework agreements with the banks institute a joint guarantee from THEOLIA for the repayment of the amounts due for the bridge loans made by the banks to the SSP in order to finance the VAT on the construction of the wind farms.

In addition, THEOLIA is the joint guarantor on the following operations:

- Subscription of a joint guarantee commitment to ENTENIAL to guarantee the payment of the loans made to SCI CS2M.
- Subscription of a joint guarantee commitment with the ROYAL BANK OF SCOTLAND to the benefit of SAS SEGLIEN;
- Subscription of a joint guarantee commitment with the ROYAL BANK OF SCOTLAND to the benefit of SAS CEFF.

- **Financing the wind activity with minority partners**

On May 16, 2005, THEOLIA signed a memorandum of understanding with the minority partners of SA Ventura, which was modified by amendments dated June 30, 2005, May 12, 2006 and April 30, 2007. This memorandum defines the principles for collaboration between THEOLIA and its subsidiary, which is characterized by the following:

All the current or future wind projects of the Group, including acquisition projects, will be developed and built by SA Ventura, within the limits of the business plan established each year. For this purpose, the Ventura company each year will establish, with the assistance of THEOLIA, a business plan that defines the number and magnitude of the projects planned and the amount of the corresponding equity to be contributed by THEOLIA.

For each wind farm project contained in the aforementioned business plan, an ad hoc SAS (simplified joint stock company) will be formed and held, either directly or through a holding company, by Ventura SA (80%) and with 20% held by Messrs. Guyot, Bouffard and De Saint Jouan (minority shareholders at 06/30/2009).

- **In Morocco**

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

- **In Germany**

In Germany, Natenco GmbH and certain of its subsidiaries pledged to different banks a number of accounts opened in their books in order to guarantee the costs that could be incurred at the time certain farms are dismantled. The total amount of these pledges was €5,789,000 at June 30, 2009.

- **Guarantee given in the context of the sale of wind farms**

- **In Germany**

In the context of the sale of several wind farms with a total power of 100.6 MW, Natenco GmbH gave the following commitments to the buyer to guarantee the wind farms under construction that were sold:

  - At the buyer's discretion, indemnify the buyer or substitute equivalent projects if there is a delay in commissioning certain wind farms after March 10, 2010.
  - A pledge on certain wind farms totaling 20 MW to guarantee the obligations of Natenco GmbH as the turnkey builder of the projects sold, for a duration that expires when the farms under construction come on line.
  - A possible exchange of two wind farms with a total power of 6 MW for equivalent projects at the buyer's request if said wind farms do not meet certain key conditions for regular operation.

- **In France**

In the context of a THEOLIA sale of wind projects with total power of 32 MW to Energiequelle, THEOLIA is joint debtor with Tempo Holding for all amounts which Tempo Holding may have to pay the buyer of the founders' shares, or any subsequent buyer, pursuant to the provisions of the "Share and Receivables Purchase Agreement" and the "Share Purchase Agreement". It is understood that THEOLIA benefits from all limitations and exemptions of liability granted under said agreements.

- **Other commitments**

Lease agreement for corporate offices

Since February 28, 2007, the Company has been contractually committed to leasing its corporate offices for a term of 9 years, without possibility of early termination, which is until February 28, 2016.

Guarantee for the loans subscribed by Ecoval 30

In the context of the activities of Ecoval 30, THEOLIA is joint guarantor for €2,000,000 of the loan contracted on June 27, 2005 by Ecoval 30 with Société Générale, which matures on June 14, 2012.

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

In the context of its support to the development of the activities of Ecoval Technology, THEOLIA is joint guarantor to the BFCC for a maximum total sum of €140,000.

- **Commitments received**

On January 31, 2008, THEOLIA France signed a memorandum of understanding, under the terms of which Winvest agreed to offer 30 MW of wind projects to THEOLIA before December 31, 2009.

Finally, on December 24, 2008, THEOLIA SA announced the sale of its entire stake (4,716,480 shares) in Thenergo to Hestiun Limited for 15 million euros. THEOLIA retains an option to buy back these shares, at the price of 110% of the sale price until December 24, 2009, and at 120% of this same price until December 24, 2010.

Note 28 List of group companies

Companies	% interest	% control	Consolidation method	Country	Activity
SA THEOLIA	100.00	100.00	Parent	France	Holding
THEOLIA IBERICA	100.00	100.00	Full Consolidation	Spain	Holding
THEOLIA EMERGING MARKETS	95.23	100.00	Full Consolidation	Morocco	Holding
SAS TEMPO HOLDING	100.00	100.00	Full Consolidation	France	Holding
CENT EOL DE FRUGES LA PALETTE	99.94	99.94	Full Consolidation	France	Wind Construction Sale
CENT EOL AQUEDUC	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE SORBIERE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA FRANCE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA PARTICIPATIONS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
VENTURA	99.42	99.42	Full Consolidation	France	Wind Construction Sale
CENT EOL DU GRAND CAMP	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DU PLATEAU DE RONCHOIS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE SALLEN	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DES COSTIERES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DES GARGOUILLES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE CROIX BOUDETS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE CHASSE MAREE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DU MAGREMONT	99.54	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	99.54	100.00	Full Consolidation	France	Wind Construction Sale
ASSET ELECTRICA	50.00	50.00	Equity Method	Spain	Wind Construction Sale
PESA	100.00	100.00	Full Consolidation	Spain	Wind Construction Sale
NATENCO HOLDING Gmbh	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
NATENCO GMBH	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
NATENCO SAS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
LES 4E	100.00	100.00	Full Consolidation	France	Wind Construction Sale
NATENCO CZECH REP. IG	100.00	100.00	Full Consolidation	Czech Republic	Wind Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00	100.00	Full Consolidation	Greece	Wind Construction Sale
THEOLIA BRAZIL	100.00	100.00	Full Consolidation	Brazil	Wind Construction Sale
CENT EOL DE CANDADES	79.54	80.00	Full Consolidation	France	Wind Construction Sale
WP GROSS WARNOW GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00	80.00	Full Consolidation	Greece	Wind Construction Sale
THEOWATT	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOLIENNE DES SOUTETS	79.54	80.00	Full Consolidation	France	Wind Construction Sale
CENTRALE EOL CHEM DE FER	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENTRALE EOL FORET BOULTACH	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA GREECE	95.00	95.00	Full Consolidation	Greece	Wind Construction Sale
THEOLIA CEE Gmbh	100.00	100.00	Full Consolidation	Austria	Wind Construction Sale
Maestrale Green Energy Srl	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Maestrale Project Holding SA	50.32	50.32	Full Consolidation	Italy	Wind Construction Sale
Neo Anemos Srl (Martignano 21 MW)	47.81	95.00	Full Consolidation	Italy	Wind Construction Sale
MGE Giunchetto Wind Park SA	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Aerochetto Srl (Giunchetto 29.75 MW)	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
MPH 1 SA (Giuggianello 28 MW)	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
Avalon Ltd	100.00	100.00	Full Consolidation	England	Wind Construction Sale

MGE Idea Srl	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
THEOLIA HUNGARIA	100.00	100.00	Full Consolidation	Hungary	Wind Construction Sale
THEOLIA POLSKA	99.90	99.90	Full Consolidation	Poland	Wind Construction Sale
WP MUEHLANGER GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
WINDENERGIE COESFELD-LETTE GmbH & Co	100.00	100.00	Full Consolidation	Germany	Wind Construction Sale
CENT EOL DE COUME (CECOU)	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE MOTTENBERG	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE DAINVILLE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CENT EOL DE DEMANGE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
Belmonte Green Energy Srl	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
CE CHERMISEY	100.00	100.00	Full Consolidation	France	Wind Construction Sale
CE BEAUDIGNECOURT	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC BIESLES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC DAINVILLE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC DEMANGE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC LES PINS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC SAINT BLIN	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC L'ARDECHE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
SNC LE CHARMOIS	100.00	100.00	Full Consolidation	France	Wind Construction Sale
VESAIGNES	100.00	100.00	Full Consolidation	France	Wind Construction Sale
TANGER MED WIND SA	95.14	100.00	Full Consolidation	Morocco	Wind Construction Sale
THEOLIA MOROCCO SERVICES SA	95.14	100.00	Full Consolidation	Morocco	Wind Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (	50.00	50.00	Equity Method	India	Wind Construction Sale
Mendicino Green Energy Srl	90.00	90.00	Full Consolidation	Italy	Wind Construction Sale
CEBRE	100.00	100.00	Full Consolidation	France	Wind Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00	50.00	Equity Method	India	Wind Construction Sale
COLONNE D ERCOLE SRL	100.00	100.00	Full Consolidation	Italy	Wind Construction Sale
THEOLIA DEUTSCHLAND GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
DRITTE BUSMANN WIND GmbH & Co. BETRIEB	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ZWANZIGSTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NEUNZEHNTE UPEG GmbH & Co. KG (LADBERG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP SAERBECK GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ROYAL WIND	100.00	100.00	Full Consolidation	France	Wind electricity sale
CEFF	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DE SEGLIEN	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DES PLOS	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DU MOULIN DE FROIDURE	100.00	100.00	Full Consolidation	France	Wind electricity sale
CENT EOL DES SABLONS	99.42	100.00	Full Consolidation	France	Wind electricity sale
CORSEOL SA	95.20	95.20	Full Consolidation	France	Wind electricity sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WP VERWALTUNG GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP BETRIEBS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale

WP HOPSTEN INVESTITIONS GMBH & CO KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP TUCHEN RECKENTHIN INVES-TITIONS GMBH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK VERDEN 1 Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK VERDEN 2 Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH &	89.60	80.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK RABENAU Gmbh	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK MINDEN Gmbh	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH &	48.00	48.00	Equity Method	Germany	Wind electricity sale
NATENCO WINDPARK BETEILI-GUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WINDPARK 1 MAN-AGEMENT GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WINDPARK ALSLEBEN BETEILIGUNGS	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATENCO WINDPARK MANAGE-MENT GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP ZABELSDORF GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP HECKELBERG-BREYDIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP GROSSVARGULA GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA MOROCCOCO	95.23	100.00	Full Consolidation	Morocco	Wind electricity sale
WP NOTTULN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP NIENBERGE GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
R.E.W. KRAENZLIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP RUHLSDORF GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDWIN GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDWIN VERWALTUNGS GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
CED	100.00	100.00	Full Consolidation	Morocco	Wind electricity sale
SNC LES EOLIENNES DE BEL AIR	100.00	100.00	Full Consolidation	France	Wind electricity sale
SNC LES EOLIENNES DU PLA-TEAU	100.00	100.00	Full Consolidation	France	Wind electricity sale
WP Kreuzbuche Gmbh & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP Stolzenhain Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP Schenkendoebern Gmbh & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
NATURSTROMNETZ Gmbh ME	43.81	43.81	Equity Method	Germany	Wind electricity sale
WP WALTROP Gmbh & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP KLEIN STEIMKE GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ATTILA HOLDING GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ATTILA Management GmbH	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP NETPHEN GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WP GOTTBERG GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF HAMM GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale

WF HOXBERG GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF IDESHEIM GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF ILLERICH GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF LEOPOLDSHOEHE GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF NEUKIRCHEN-VLUYN GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF OSTBEVERN GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF FRANKENHEIM GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF SCHOENHOEHE GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF VERDEN GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF WEIMAR GmbH & Co. KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF WILLICH GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
ATTILA HOLDING 1 Gmbh	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF MEERBUSCH GmbH & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF OELDE Gmbh & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
WF VOGELSBERG Gmbh & Co.KG	100.00	100.00	Full Consolidation	Germany	Wind electricity sale
CWP GmbH	52.00	52.00	Full Consolidation	Germany	Wind electricity sale
THEOLIA CANADA	99.98	99.98	Full Consolidation	Canada	Non Wind Activities
BIOCARB	96.73	96.73	Full Consolidation	Switzerland	Non Wind Activities
ECOVAL TECHNOLOGY SAS	100.00	100.00	Full Consolidation	France	Non Wind Activities
SERES ENVIRONNEMENT	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
NEMEAU SAS	99.99	100.00	Full Consolidation	France	Non Wind Activities
THEOLIA PERMIERES NATIONS INC	99.98	100.00	Full Consolidation	Canada	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
WINDREAM ONE	100.00	100.00	Full Consolidation	France	Non Wind Activities
ECOLUTIONS	16.77	0.00	Equity Method	Germany	Non Wind Activities
SERES MAGHREB	100.00	100.00	Full Consolidation	Morocco	Non Wind Activities
SERES CHINA	50.00	50.00	Equity Method	China	Non Wind Activities
Newly consolidated companies					

Jean JOUVE
72 rue Saint Jacques
13006 Marseille

Deloitte & Associés
Les Docks - Atrium 10.4
10 place de la Joliette
13002 Marseille

THEOLIA
A French *Société Anonyme*
75, rue Denis Papin
13290 Aix-en-Provence

Report of the Statutory Auditors on the half-year financial information

Period from January 1 – June 30, 2009

To the Shareholders,

In the performance of the mission entrusted to us by your Shareholders' Meeting and pursuant to Article L.451-1-2 of the French Monetary and Financial Code, we conducted:

- a limited review of the condensed consolidated half-year financial statements of the THEOLIA company for the period from January 1 to June 30, 2009, as they are attached to this report;

- a verification of the information provided in the half-year business report.

These condensed consolidated half-year financial statements have been prepared under the responsibility of your Board of Directors, in a context characterized by certain difficulties in determining the future outlook that already prevailed at the end of the year on December 31, 2008. It is our responsibility, on the basis of our limited review, to express a conclusion about these statements.

I. Conclusion regarding the financial statements

We conducted our limited review in accordance with the professional standards applicable in France. A limited review consists essentially of meeting with the members of management responsible for the accounting and financial aspects and of implementing cost accounting procedures. This work is less extensive than the work required for an audit conducted in accordance with the professional standards applicable in France. Therefore, as a result, the assurance that the statements, considered in their entirety, do not contain material misstatements in the context of a limited review, is moderate assurance, lower than the assurance obtained in an audit.

On the basis of our limited review, we found no material misstatements that would call into question the conformity of the condensed consolidated half-year financial statements with IAS 34-IFRS as adopted in the European Union governing interim financial information.

Without calling into question the conclusion expressed above, we call your attention to the following:

- The paragraph "Continuity of operation" in the notes.

- Paragraph 4 of Note 3 "Characteristic events of the period", which mentions the reversal of the provision on a receivable owed by the Hestiun company following payment in full of this receivable;

- The paragraph on "Accounting principles and valuation methods" in the notes, which describes the changes in accounting methods resulting from the application of the new standards and interpretations as of January 1, 2009.

II. Specific verification

We also verified the information given in the half-year business report commenting on the condensed consolidated half-year financial statements which were the subject of our limited review. We have no comment to make concerning the fair presentation of that information and its consistency with the condensed consolidated half-year financial statements.

Marseille, August 31, 2009

The Auditors

Jean Jouve	Deloitte & Associés	Anne-Marie Martini

20.4.2. Additional notes to the half-year consolidated financial statements for the period ended June 30, 2009

The following additional notes are not part of the consolidated financial statements as certified by the Statutory Auditors in their report included in paragraph 20.4.1 of the present Reference Document.

Note 1 – General information

Failure to meet certain ratios on the closing date of the 2008 accounts which could have an impact on the continuity of operation has been corrected. In particular:

-In France, the financing for the farm in operation for which the debt ratio was not met as of December 31, 2008 was restructured to ensure the consistency of the financing with the long-term wind potential of the farm;

-In Germany, for a financing line of 10 million euros on Natenco GmbH, the lender was informed of failure to respect the gearing ratio covenant for Natenco GmbH for the year ending December 31, 2008 because of the suspension of sales of wind farms over the year. The "waiver" for this financing was issued in return for a temporary increase in the credit margin and the application of an additional financial covenant (debt / EBITDA < 3.00x).

The Group has 3 types of financing:

- Group corporate debt: OCEANE (cf section 4.3.5 infra);

- Corporate debt Germany: these financing arrangements carry financial covenants stipulating that the borrower must meet certain financial ratios (ratio debt/equity or debt/EBITDA);

- Project debt: these financing arrangements for the construction of wind farms (France, Germany, Morocco) carry financial covenants stipulating certain cash flow ratios (cash generated by operations/debt service) and financial ratios (debt/equity).

Note 7 – Goodwill

Note 8 – Intangible assets

Note 9 – Tangible assets

The half-year financial statements were prepared in accordance with IAS 34 and are condensed financial statements. In addition, IAS 36 requires a review of the book values at least once a year and, in any event, in case of an indication of impairment. However, the Group uses a procedure to test its assets by CGU.

The methodology used was the following:

- Update of the eligible scope of consolidation, excluding entities sold over the first half of 2009, or the sale of which is has been approved;

- Use of the provisional budgets which have been realized over the period;

- Update of the significant assumptions used at the end of 2008 when significant events have occurred;

- Use of the same discounted cash flow data in the absence of any significant change in operating conditions;

- Maintenance of a discount rate identical to the one used for the 2008 impairment tests: the components have not changed in a way that would justify a rate revision mid-year

The redefinition of the business segments because of the application of IFRS 8 led to a separate presentation of electricity sales:

- Electricity sales for own account: separate segment

- Electricity sales for third parties: "Operation" segment.

This change in presentation had no impact, however, insofar as:

- Each farm in operation constitutes one CGU;

- A farm cannot sell electricity for its own account and on behalf of a third party.

CGU Development and construction of wind farms France

The entities composing this CGU had no significant event during the period that led to updating the tests performed during the 2008 closing work (April 2008).

CGU Development and construction of wind farms Germany

This CGU contains 17 wind farms for which sale has been approved; they are excluded from the eligible scope.

The other entities composing this CGU had no significant event during the period that led to updating the tests performed during the 2008 closing work (April 2008).

CGU Development and construction of wind farms Italy

The entities composing this CGU had no significant event during the period that led to a modification of recoverable values.

CGU Development and construction of wind farms Spain

The current negotiations for the sale of the wind farm project in Spain on the basis of a lower selling price required the recognition of additional impairment.

CGU Wind-based energy production business

The wind-based energy production business has as many CGUs as there are operating wind farms.

Most of the entities composing this CGU did not have a significant event during the period that would lead to a modification of recoverable values. However, the wind farm in Morocco presented indices of impairment, which required a recalculation of its recoverable value.

In effect, the modification of the maintenance plan resulted in a decrease in future cash flows, which required a depreciation of the residual goodwill and of the assets.

The tables below show the calculated sensitivity of recoverable value (primarily intangible assets) of this wind farm to key assumptions:

The amount impaired at June 30, 2009 was €(4,309,000) and breaks down into €(440,000) in impairment of residual goodwill and €(3,869,000) in impairment of the intangible assets.

Recoverable value	**8%**	**9%**	**10%**
P50 (3900 hr of wind)	27,712	26,466	25,303
P75 (3500 hr of wind)	24,685	23,590	22,568
P90 (3200 hr of wind)	21,658	20,715	19,834

Impairment	**8%**	**9%**	**10%**
P50 (3900 hr of wind)	(187)	(1,433)	(2,596)
P75 (3500 hr of wind)	(3,214)	(4,309)	(5,331)
P90 (3200 hr of wind)	(6,241)	(7,184	(8,065)

In addition, the goodwill from the acquisition of shares held by minority shareholders of Theolia Emerging Markets under a memorandum of understanding was fully depreciated.

Note 17 – Financial liabilities

Net debt (current/non-current)

The short-term portion of the financial debt at June 30, 2009 is allocated quarterly as shown below:

In thousands of euros	**< 3 months**	**< 6 months**	**< 9 months**	**< 12 months**	**Total**
Financial liabilities (current portion)	72,496	27,702	8,936	7,477	**116,611**

Classification of financial debt

As indicated in Note 2 to the condensed consolidated financial statements for the period ended June 30, 2009, the risk of not meeting a covenant on an operating wind farm is carefully monitored by the Group. As failure to comply with this covenant is not actual, the non-current portion of the financial debt has not been reclassified to short-term.

Note 18 – Segment information

Application of IFRS 8

The redefinition of the operational segments resulting from the application of IFRS 8 did not require a reallocation of goodwill; the CGUs remain substantially the same.

20.5. AUDITORS' FEES

	M. Jean Jouve				**Deloitte & Associés**			
	Amount *(Euros ex-tax)*		**%**		**Amount** *(Euros ex-tax)*		**%**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AUDIT								
Audit of the financial statements, certification, review of individual and consolidated accounts								
Issuer	224,250	213,540	34.59	42.55	584,290	358,430	62.48	54.30
Fully consolidated subsidiaries	384,125	272,200	59.24	54.24	328,830	236,338	35.16	35.81
Related missions								
Issuer	40,000	16,120	6.17	3.21	22,000	65,300	2.35	9.89
Fully consolidated subsidiaries	-	-	0.00	0.00	-	-	0.00	0.00
SUB-TOTAL	**648,375**	**501,860**	**100.00**	**100.00**	**935,120**	**660,068**	**100.00**	**100.00**
OTHER SERVICES TO FULLY CONSOLIDATED SUBSIDIARIES								
Legal, tax, labor	-	-	-	-	11,256	-	-	-
Other	25,000	-	-	-	-	-	-	-
SUB-TOTAL	**-**	**-**	**0.00**	**0.00**	**-**	**-**	**0.00**	**0.00**
TOTAL	**673,375**	**501,860**	**100.00**	**100.00**	**946,376**	**660,068**	**100.00**	**100.00**

20.6. DIVIDEND DISTRIBUTION POLICY

20.6.1. Total dividend

The Company has paid no dividend in the last three years.

20.6.2. Future dividend policy

The payment of dividends will depend primarily on the earnings generated by the Company, its financial position, its investment policy and the reduction of its debt.

20.6.3. Expiration of dividends

Dividends not claimed are time-barred to the benefit of the State after a period of five years from the date of payment.

20.7. LITIGATION AND ARBITRATION

Following the inquiry opened by the Sanctions Commission of the AMF on July 5, 2007, the AMF notified THEOLIA on July 7, 2008 of the facts which it believed could result in administrative sanctions for failure to make correct disclosures to the public.

In a decision of October 1, 2009, the Sanctions Commission accepted the following complaints against THEOLIA:

- erroneous nature of the information concerning the wind potential of THEOLIA which appeared in the listing transfer prospectus dated July 26, 2006, particularly the information dealing with the existence of a building permit being reviewed on the Assérac site;

- erroneous nature of the results published in the consolidated financial statements at June 30, 2005, December 31, 2006 and June 30, 2007 because of the absence of depreciation of the assets related to certain wind projects;

- erroneous nature of the information concerning the amount of the contribution of its environmental division to Granit published in the listing transfer prospectus and the press release of March 8, 2006;

- late communication by THEOLIA of privileged information concerning the company on the cancellation of the disposal of its environmental division to the Granit company;

- deceptive nature of the information on the disposal of its environmental division published in the press release of December 27, 2006.

As a result, the Sanctions Commission levied a financial sanction of €300,000 against THEOLIA. The Company does not wish to appeal this decision.

It should, however, be noted that these facts date back to the years 2005 to 2007 and that, therefore, they are prior to the changes made in the THEOLIA Management at the end of 2008. In effect, since the departure of Jean-Marie Santander, Messrs. Eric Peugeot and Marc van't Noordende were respectively appointed Chairman and Chief Executive Officer of THEOLIA on September 29, 2008, and were joined on May 1, 2009 by Olivier Dubois as Chief Financial Officer. Moreover, at the end of 2008, and throughout 2009, THEOLIA conducted an in-depth reorganization of its corporate governance. The principal measures already decided include the separation of the offices of Chairman and Chief Executive Officer, acceptance of the AFEP-MEDEF recommendations, a revision of the policy on compensation of directors and executives, and the expansion of the Board of Directors. In this way, THEOLIA is demonstrating a strong willingness to effectively prevent a repetition of any failure in its disclosure obligations. The Company also notes that this reinforcement of governance was taken into consideration by the Sanctions Commission when it assesses the amount of the financial sanction, which was eventually reduced to €300,000.

In the same decision, the Sanctions Commission levied financial sanctions against Jean-Marie Santander and Philippe Perret in the respective amounts of €50,000 and €30,000 for failing to declare transactions on Company shares executed between 2006 and 2007. Messrs. Jean-Marie Santander and Philippe Perret, as well as the Colibri company which was also sanctioned, have filed an appeal on merit and a petition to suspend execution against the Commission's decision.

There is no other government, judicial or arbitration proceeding to the Group's knowledge which is pending or threatened, which could have or has had in the last twelve months a significant impact on the financial position or profitability of the Group.

20.8. SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL POSITION

The significant changes in the Group's financial position since June 30, 2009 (closing date for the half-year accounts) were as follows:

RheinEnergie AG (Cologne, Germany) and the Group concluded the sale of wind farms in operation and wind projects, representing 100.6 MW. The portfolio contains 19 wind farms in Germany. Of the 100.6 MW sold, approximately 80 MW are in operation, and it is planned to place the rest in production by the end of the year. The sale was made by Natenco, the German subsidiary of THEOLIA, which will operate the farms for their useful life.

In October 2009, the Group sold a 9.2 megawatt (MW) wind project to Boralex, a major international player in the renewable energy sector. The project, located in the department of Somme (France), will be equipped with four Enercon turbines, each with 2.3 MW of power. The construction permit has been purged of all objections. Commercial service for the site is planned for the second quarter of 2010.

On 18 January 2010, the Group announced the signature of a financing contract for a 30 MW wind project located in Enna, Sicily by Maestrale Green Energy in the amount of 51 million euros. This non-recourse financing in the amount of 51 million euros was signed with Unicredit and WestLB. The construction stage of the project commenced in the second half of 2009 and the farm is expected to be commissioned during the first half of 2010.

Restructuring plan

On December 29, 2009, the Company announced the launch of a financial restructuring plan, which provides for a change in the terms of the issue contract for the OCEANEs and the completion of a capital increase reserved for the existing shareholders of the Company.

As indicated in section 4.3.5 of this Reference Document and as announced by the Company on September 1, 2009, the Company anticipates that it will have difficulties in obtaining sufficient liquid assets or borrowing the sums needed to repay the 253 million euros of its bond issue (OCEANEs) on January 1, 2012, if there is a demand for prepayment of all of this bond by the bondholders.

As a preventive measure, the Company in June 2009 requested the appointment of an ad hoc agent. Pursuant to Article L.611-3 of the French Commercial Code, the Chief Judge of the Commercial Court of Aix-en-Provence on June 22, 2009 appointed Attorney Laurent Le Guernevé as ad hoc agent of THEOLIA for an initial period of three months, renewed for five more months, until February 23, 2010. The mission of the ad hoc agent is primarily to assist THEOLIA in negotiating with its bondholders in order to restructure its debt. The ad hoc mandate is a prevention mechanism for businesses, which is strictly confidential; this confidentiality is stipulated by requirements of the Commercial Code.

After exploring different options, and under the aegis of the ad hoc agent, the Company approached the major OCEANE bondholders in order to renegotiate the terms of the OCEANE issue contracts. These negotiations resulted in the signature of agreements with OCEANE bondholders representing a total of 65.5% of the nominal amount of the issue. These agreements allow the implementation of a restructuring plan designed to lower the Company's financial debt significantly and strengthen its equity in order to have the financial resources to resume the development of its pipeline of projects.

The Company has appointed the Ricol Lasteyrie firm (2 avenue Hoche – 75008 Paris) acting as an independent financial expert to review the financial conditions of the restructuring plan proposed, particularly the impact and interest in restructuring for the Company, its shareholders and its bondholders, and to assess its fairness from the point of view of the shareholders and bondholders. Ricol Lasteyrie submitted its final report to the Board of Directors on 18 January 2010. This report confirms that the financial restructuring proposed is in the interests of all of the parties concerned, including THEOLIA, its shareholders and its bondholders, and confirms that this restructuring is fair from the point of view of its shareholders and its bondholders. This report is available on the Company's website.

Principal characteristics of the restructuring plan

The restructuring plan is organized into two steps: (a) the modification of certain terms of the OCEANE issue contract and (b) the completion of a capital increase, maintaining the preemptive subscription rights of shareholders, up to a maximum of approximately 100 million euros.

The first step in the restructuring process consists of a change in the terms of the OCEANE issue contract, which the bondholders that signed the agreements have agreed to approve at a general bondholders' meeting. The main changes are as follows:

- elimination of the possibility for OCEANE bondholders to demand early repayment on January 1, 2012;
- extension of the maturity of the OCEANEs from January 1, 2014 to January 1, 2041;
- a new option to purchase OCEANEs at bondholders' discretion on January 1, 2015 at a redemption price of between 50% and 77.4% of the current redemption value (which is between 10.97 and 16.99 euros per OCEANE), based on the amount of the capital increase effectively realized (pursuant to the formula provided below);
- early repayment of a portion of the nominal of the OCEANEs, which may be as much as approximately 60 million euros (or about up to 5.20 euros per OCEANE) based on the amount of the capital increase effectively realized;
- a slightly modified coupon raised from 2.0% to 2.7% of the new nominal amount of the OCEANEs (after the aforementioned partial early repayment) until January 1, 2015, and then reduced to 0.1% until January 1, 2041;
- an increased conversion ratio, rising from 1 share per OCEANE to N1 shares per OCEANE until December 31, 2013 and N2 shares per OCEANE from January 1, 2014 to December 31, 2014; N1 is determined on the basis of the amount of the capital increase actually realized (pursuant to a table shown below) and N2 is equal to 80% of N1;
- a change of control clause which remains applicable, provided that it gives the option for any OCEANE holder to request redemption of its securities for a price equal to the redemption price on January 1, 2015 (described above),

and that this clause will not apply in the event that the capital increase executed for restructuring results in a change of control of THEOLIA;

- o elimination of the right of the bondholders to convert and/or exchange their bonds for shares after December 31, 2014;
- o elimination of the temporary mechanism for adjusting the conversion ratio in the event of a public offering; and
- o a change in the ex-dividend date of the new shares issued on conversion of the OCEANEs, which will now be eligible for dividends immediately and will be fully ranked with existing shares when they are issued.

The second step of the restructuring plan consists of a capital increase that may be as high as approximately 100 million euros and completed under the following conditions:

- o capital increase reserved for the shareholders of the Company, conducted either through a bonus allotment of stock warrants to all shareholders of the Company, or through the issue of new shares, maintaining the preemptive subscription rights of the shareholders; in both case, the subscription price for the new shares will be one (1) euro per share;
- o the first 40 million euros will be kept by the Company to finance the development of its portfolio of projects; and
- o the balance (which may be as much as approximately 60 million euros depending on the number of stock warrants and subscription rights exercised) will be paid to the OCEANE bondholders as partial early repayment of the nominal amount of the OCEANEs.

Details of the financial terms of the plan

(1) Redemption price

As indicated above, any OCEANE bondholder may request the redemption in cash of his OCEANEs by the Company on January 1, 2015, at a redemption price (the "**Redemption Price**") equal, for each OCEANE, to the result of the following formula:

Redemption price = [1 - (p*50%)] * 21.9398

(i) where "p" is equal to the result of the following formula:

$$\frac{X_t}{X_{tMax}}$$

where "Xt" is equal to the gross proceeds from the capital increase completed and "XtMax" equal to 99,738,017;

and "p" is between 0.45 and 1;

(ii) it is specified that the Company will round the redemption price to two decimal places.

Examples of the redemption price (illustration):

Gross proceeds from the capital increase in millions of euros (X_t)	**45.0**	**60.0**	**75.0**	**90.0**	**99.7**
Redemption price in euros per OCEANE	16.99	15.34	13.69	12.04	10.97

(2) *New conversion ratio applicable until December 31, 2013 (N1)*

The new conversion ratio for the OCEANEs applicable until December 31, 2013 (N1) will be determined on the basis of the gross proceeds from the capital increase in accordance with the table below.

Gross proceeds from the capital increase (in millions of euros) ("X_t")

X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1
45.00	9.05	**54.61**	8.87	**64.33**	8.46	**74.06**	8.00	**83.78**	7.50	**93.50**	6.95
45.13	9.05	**54.86**	8.86	**64.58**	8.45	**74.30**	7.99	**84.03**	7.48	**93.75**	6.94
45.38	9.05	**55.11**	8.85	**64.83**	8.44	**74.55**	7.98	**84.28**	7.47	**94.00**	6.92
45.63	9.05	**55.35**	8.84	**65.08**	8.43	**74.80**	7.97	**84.53**	7.46	**94.25**	6.91
45.88	9.06	**55.60**	8.83	**65.33**	8.42	**75.05**	7.95	**84.78**	7.44	**94.50**	6.89
46.13	9.06	**55.85**	8.82	**65.58**	8.41	**75.30**	7.94	**85.03**	7.43	**94.75**	6.88
46.38	9.06	**56.10**	8.81	**65.83**	8.40	**75.55**	7.93	**85.28**	7.42	**95.00**	6.87
46.63	9.06	**56.35**	8.80	**66.08**	8.39	**75.80**	7.92	**85.53**	7.40	**95.25**	6.85
46.88	9.06	**56.60**	8.79	**66.33**	8.37	**76.05**	7.90	**85.77**	7.39	**95.50**	6.84
47.13	9.06	**56.85**	8.78	**66.58**	8.36	**76.30**	7.89	**86.02**	7.37	**95.75**	6.82
47.38	9.06	**57.10**	8.77	**66.82**	8.35	**76.55**	7.88	**86.27**	7.36	**96.00**	6.81
47.62	9.05	**57.35**	8.76	**67.07**	8.34	**76.80**	7.87	**86.52**	7.35	**96.25**	6.79
47.87	9.05	**57.60**	8.75	**67.32**	8.33	**77.05**	7.85	**86.77**	7.33	**96.50**	6.78
48.12	9.05	**57.85**	8.74	**67.57**	8.32	**77.30**	7.84	**87.02**	7.32	**96.75**	6.76
48.37	9.05	**58.10**	8.73	**67.82**	8.30	**77.55**	7.83	**87.27**	7.31	**97.00**	6.75
48.62	9.05	**58.35**	8.72	**68.07**	8.29	**77.80**	7.81	**87.52**	7.29	**97.24**	6.73
48.87	9.05	**58.60**	8.71	**68.32**	8.28	**78.04**	7.80	**87.77**	7.28	**97.49**	6.72
49.12	9.05	**58.85**	8.70	**68.57**	8.27	**78.29**	7.79	**88.02**	7.26	**97.74**	6.70
49.37	9.05	**59.09**	8.69	**68.82**	8.26	**78.54**	7.78	**88.27**	7.25	**97.99**	6.69
49.62	9.05	**59.34**	8.68	**69.07**	8.25	**78.79**	7.76	**88.52**	7.24	**98.24**	6.67
49.87	9.04	**59.59**	8.67	**69.32**	8.23	**79.04**	7.75	**88.77**	7.22	**98.49**	6.66
49.87	9.04	**59.84**	8.66	**69.57**	8.22	**79.29**	7.74	**89.02**	7.21	**98.74**	6.64
50.12	9.03	**59.84**	8.66	**69.82**	8.21	**79.54**	7.72	**89.27**	7.19	**98.99**	6.63
50.37	9.02	**60.09**	8.65	**69.82**	8.21	**79.79**	7.71	**89.51**	7.18	**99.24**	6.61
50.62	9.01	**60.34**	8.64	**70.07**	8.20	**79.79**	7.71	**89.76**	7.17	**99.49**	6.60
50.87	9.00	**60.59**	8.63	**70.32**	8.19	**80.04**	7.70	**89.76**	7.17	**99.74**	6.59
51.12	8.99	**60.84**	8.62	**70.56**	8.18	**80.29**	7.68	**90.01**	7.15		

X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1
51.37	8.98	**61.09**	8.60	**70.81**	8.16	**80.54**	7.67	**90.26**	7.14		
51.61	8.98	**61.34**	8.59	**71.06**	8.15	**80.79**	7.66	**90.51**	7.12		
51.86	8.97	**61.59**	8.58	**71.31**	8.14	**81.04**	7.64	**90.76**	7.11		
52.11	8.96	**61.84**	8.57	**71.56**	8.13	**81.29**	7.63	**91.01**	7.10		
52.36	8.95	**62.09**	8.56	**71.81**	8.11	**81.54**	7.62	**91.26**	7.08		
52.61	8.94	**62.34**	8.55	**72.06**	8.10	**81.79**	7.60	**91.51**	7.07		
52.86	8.93	**62.59**	8.54	**72.31**	8.09	**82.03**	7.59	**91.76**	7.05		
53.11	8.92	**62.83**	8.53	**72.56**	8.08	**82.28**	7.58	**92.01**	7.04		
53.36	8.91	**63.08**	8.52	**72.81**	8.07	**82.53**	7.56	**92.26**	7.02		
53.61	8.90	**63.33**	8.51	**73.06**	8.05	**82.78**	7.55	**92.51**	7.01		
53.86	8.89	**63.58**	8.50	**73.31**	8.04	**83.03**	7.54	**92.76**	7.00		
54.11	8.88	**63.83**	8.49	**73.56**	8.03	**83.28**	7.52	**93.01**	6.98		
54.36	8.88	**64.08**	8.47	**73.81**	8.02	**83.53**	7.51	**93.26**	6.97		

If the gross proceeds from the capital increase (X_t) are between two capital increase amounts presented in the table above, N1 would be equal to the higher of the two numbers corresponding to N1 in the table. For example, if the proceeds from the capital increase equal 90.40 million euros, i.e. between 90.26 million euros (N1 = 7.14) and 90.51 million euros (N1 = 7.12), then N1 will be equal to 7.14.

In addition, if the proceeds from the capital increase exceed 99.74 million euros, N1 would be equal to 6.59.

Conditions precedent

The implementation of the restructuring plan is subject to the following three conditions:

- approval of the change in the terms of the OCEANE issue contract by the meeting of OCEANE holders no later than March 15, 2010;
- approval by the extraordinary shareholders' meeting of the Company of the change in the terms of the OCEANE issue contract and authority given to the Board of Directors to decide and execute the capital increase, no later than April 30, 2010; this target date is pushed to March 31, 2010 in the event the Company is required to obtain additional regulatory authorizations for the notice of meeting and/or holding this extraordinary shareholders' meeting;
- the completion no later than August 31, 2010, of a capital increase for a total of at least 99.74 million euros (this amount may be lowered to 60 million euros in certain cases).

As required by law, the decisions of the OCEANE bondholders' meeting and of the extraordinary shareholders' meeting must be approved by at least two-thirds of the securities holders present or represented at the meetings.

Tentative calendar for the restructuring process

In the coming days, the Company expects to announce the general meeting of OCEANE bondholders and the extraordinary shareholders' meeting. The capital increase will take place as soon as possible after the extraordinary shareholders' meeting.

The tentative calendar is as follows:

	Date planned	**Deadline pursuant to the agreement with the bond-holders**
Meeting of bondholders	End of February 2010	Up to and including March 15, 2010
Extraordinary shareholders' meeting	Mid-March 2010	Up to and including May 31, 2010
Capital increase	May-June 2010	Up to and including August 31, 2010

Impact of the plan for shareholders of the Company

For information, the impact of the restructuring plan on the equity interest of a shareholder who holds 1% of the capital of the Company and does not participate in the capital increase, and based on different assumptions for the amount of the capital increase, would be the following:

	Assumptions				
Amount of the capital increase (in M€)	*45.0*	*60.0*	*75.0*	*90*	*100*
N1	9.05	8.66	7.97	7.17	6.59
	Shareholders' interest in the capital				
Before capital increase	1%	1%	1%	1%	1%
After capital increase and before conversion of the OCEANES	0.47%	0.40%	0.35%	0.31%	0.29%
After capital increase and after conversion of the OCEANES (*)	0.21%	0.20%	0.19%	0.19%	0.18%
After capital increase, conversion of the OCEANES, exercise of the warrants and vesting of the bonus shares allotted (**)	0.20%	0.19%	0.19%	0.18%	0.18%

(*) Calculated on the basis of the conversion ratio applicable after the date of completion of the capital increase until December 31, 2013 (N1), the number of shares existing at December 31, 2009 (39,895,207 shares) and without taking into account other instruments giving rights to capital (existing warrants and bonus shares).

(**) Calculated on the basis of (i) the exercise of all stock warrants outstanding at December 31, 2009 (even when the exercise price is for the most part way out of the money), (ii) the definitive vesting of all bonus shares allotted at December 31, 2009 (even though most of them are subject to performance conditions), (iii) the implementation of the adjustment mechanisms applicable to the bonus shares (on the basis of an assumption of no conversion of OCEANEs into shares before April 1, 2011), but not taking into account any adjustments made for the existing stock warrants following the capital increase, adjustments which will be made under the conditions stipulated by the applicable legal and regulatory provisions.

A shareholder holding 1% of the capital who participates in the capital increase in the amount of his interest would see his interest modified as follows.

	Assumptions				
Amount of the capital increase (in M€)	*45.0*	*60.0*	*75.0*	*90*	*100*
N1	9.05	8.66	7.97	7.17	6.59
	Shareholder's interest in the capital				
Before capital increase	1%	1%	1%	1%	1%
After capital increase and before conversion of the OCEANEs	1%	1%	1%	1%	1%
After capital increase and after conversion of the OCEANEs (*)	0.45%	0.50%	0.56%	0.61%	0.65%
After capital increase, conversion of the OCEANEs, exercise of the warrants and vesting of the bonus shares allotted (**)	0.43%	0.48%	0.53%	0.59%	0.62%

(*) Calculated on the basis of the conversion ratio applicable after the date of completion of the capital increase until December 31, 2013 (N1), the number of shares existing at December 31, 2009 (39,895,207 shares) and without taking into account other instruments giving rights to capital (existing warrants and bonus shares).

(**) Calculated on the basis of (i) the exercise of all stock warrants outstanding at December 31, 2009 (even when the exercise price is for the most part way out of the money), (ii) the definitive vesting of all bonus shares allotted at December 31, 2009 (even though most of them are subject to performance conditions), (iii) the implementation of the adjustment mechanisms applicable to the bonus shares (on the basis of an assumption of no conversion of OCEANEs into shares before April 1, 2011), but not taking into account any adjustments made for the existing stock warrants following the capital increase, adjustments which will be made under the conditions stipulated by the applicable legal and regulatory provisions.

21. ADDITIONAL INFORMATION

21.1. GENERAL INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL

21.1.1. Share capital

As of December 31, 2009, the share capital was set at thirty-nine million eight hundred ninety-five thousand two hundred seven (39,895,207) euros, divided into thirty-nine million eight hundred ninety-five thousand two hundred seven (39,895,207) shares each of a par value of one (1) euro.

The shares or transferable securities issued by the Company take the form of bearer shares or registered securities. The registered shares can be converted into bearer type, unless provided otherwise by law. Such transferable shares or securities, whatever their form, must be registered in the conditions set out under the prevailing laws and regulations. The rights to the shares derive from registration in a ledger in the conditions and according to the methods set out in the prevailing legislative and regulatory provisions.

All shares issued have been fully paid-up; they are of the same class.

As of December 31, 2009, the total number of shares was 39,895,207 for a net total of 41,355,632 voting rights.

The below table shows the pledges of shares of THEOLIA in pure registered form in effect on December 31, 2009:

Name of shareholder in pure registered form	Beneficiary	Pledge starting date	Pledge expiry date	Condition for releasing the pledge	Number of shares pledged by issuer	% of capital pledged by issuer
Edmond ALMIRALL	Crédit du Nord (via Société Générale)	04/27/2007	-	-	1,363	0.0034%

Stéphane GARI-NO		01/09/2006	-	-	30,000	0.075%

21.1.2. Securities not representing the capital

None

21.1.3. Shares held by the Company or for its account

The Combined General Meeting of the Shareholders on May 30, 2008 authorized the Board of Directors, for a period of 18 months, to have the Company purchase its own shares up to a maximum number of purchased shares representing up to 10% of the total number of shares comprising the share capital. This delegation terminated the prior authorization given by the General Meeting of June 29, 2007.

This delegation enables the Company to stimulate trading in THEOLIA shares, through a liquidity agreement, in line with the market practice recognized by the Autorité des Marchés Financiers (AMF) (Financial Markets Authority). The Company has not utilized this delegation except for the liquidity agreement.

Accordingly, it should be noted that a liquidity agreement was signed on August 28, 2006 between the Company and Exane BNP Paribas, a provider of investment services, for the purpose of increasing the liquidity of the security and the regularity of its quotations through buying and selling interventions. This liquidity agreement conformed to the standard contract of the Association Française des Entreprises d'Investissement (AFEI) (French Company Investment Association) and the professional code of ethics of the AFEI of March 14, 2005, approved by the AMF on March 22, 2005.

In order to enable Exane BNP Paribas to intervene in the THEOLIA security, the liquidity agreement initially provided, in its Article 2, for the Company to provide it with credit in the amount of 700,000 euros. This amount was raised to 1,300,000 euros by decision of the Board of Directors on February 6, 2008.

The breakdown of the THEOLIA share purchase and sale transactions through Exane BNP Paribas for the period running from January 1 to December 31, 2008 are shown below.

Transactions:

Purchase:	529,838 (210 transactions)				Sale:	475,085 (204 transactions)			
Shares at:	13.520	(Gross)	Average:	34,110.957	Shares at:	13.631	(Gross)	Average:	31,744.325
	13,520	(Net)		34,110.957		13.631	(Net)		31,744.325

Adjustments

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

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

The total transaction expense resulting from these transactions was 42,906.50 euros.

As of December 31, 2008, the Company held 91,579 treasury shares, with a nominal value of 1 euro, representing 0.23% of the capital which, at the closing price of the year, of 3.04 euros, represents 278,400 euros.

On January 26, 2009, the liquidity agreement assigned by THEOLIA to Exane BNP Paribas was terminated. The Company then assigned to Oddo Corporate Finance a new liquidity agreement in accordance with the AFEI Code of Ethics, transferring to it 95,515 THEOLIA shares and 155,113.36 euros, previously held by Exane BNP Paribas. The agreement was concluded for an initial period running from January 27, 2009 to December 31, 2009, then renewable by identical successive 12 month periods.

21.1.4. Other securities providing access to the capital

21.1.4.1. Debentures with an option of conversion and/or exchange for new or existing shares (the "OCEANEs" or "Debentures")

On October 23, 2007, THEOLIA floated an issue of OCEANEs maturing on January 1, 2014, which was encompassed in a prospectus approved by the AMF on October 23, 2007 under number 07-0368. The OCEANEs are shown in paragraph 4.3.5 of this Reference Document.

21.1.4.2. Warrants [= BSA]

During the financial year opening on January 1, 2008, the THEOLIA Board of Directors decided on the date of this Reference Document to issue the following warrants:

	SG 08 BSA	LF 08 BSA	EP 08 BSA	SO 08 BSA	PC 880 M 2008 BSA
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise price	12.95	12.95	12.95	12.95	15.64
Last exercise date	July 2, 2013	July 2, 2013	July 2, 2013	July 2, 2013	Dec 31, 2012
Parity	1	1	1	1	1
Balance as of December 31, 2007	-	-	-	-	-
Allocated during the year	31,451	29,093	29,093	29,093	37,093
Exercised during the year	-	-	-	-	-
Expired or not exercised during the year	-	-	-	-	-
Balance as of June 30, 2008	31,451	29,093	29,093	29,093	37,093

21.1.5. Authorized, unissued share capital

The delegations and authorizations to issue shares and other transferable securities granted to the board of directors by the general meeting are as follows:

GM of May 30, 2008	Type of delegation	Purpose	Term	Expiration date	Ceiling	Usage as of December 31, 2008	Unused balance as of December 31, 2008.	Overall ceiling
10	Delegation of authority	Authorization to trade in the company shares	18 months	November 30, 2009	10% of the share capital at any time whatsoever	Yes	88,239 shares	
12	Delegation of authority	Issuance of shares, securities or VMC [hybrid securities], maintaining the DPS [preemptive subscription rights]	26 months	July 30, 2010		No	15 million shares	

13	Delegation of authority	Issuance of shares, securities or VMC, eliminating the DPS	26 months	July 30, 2010		No		
14	Delegation of powers	Issuance of shares, securities or VMC, freely setting the issue price	26 months	July 30, 2010		No	10% of the share capital	
15	Delegation of powers	Issuance of shares, securities or VMC, in case of a capital increase maintaining or eliminating the DPS in accordance with resolutions 12, 13 and 14.	26 months	July 30, 2010	15% of the initial issue amount in the same conditions	No	15 % of the amount of the initial issue in the same conditions	
16	Delegation of authority	Capital increase through capitalization of reserves, profits or premiums	26 months	July 30, 2010		No	15 million shares	40 million
17	Delegation of authority	Issuance of shares, securities or VMC, in the case of a public offering initiated by the company	26 months	July 30, 2010		No		
18	Delegation of powers	Issuance of shares, securities or VMC, for remunerating contributions in kind granted to the company	26 months	July 30, 2010	10% of the share capital upon issuance	No		
19	Delegation of powers	Authorization to decrease the share capital through cancellation of shares	18 months	November 30, 2009	10% of the share capital upon issuance	No	10% of the share capital upon issuance	
20	Delegation of powers	Authorization given to the Board of Directors to allot bonus shares	26 months	July 30, 2010	10% of the share capital on date of the GM	No	10% of the share capital on date of the GM	
21	Delegation of powers	Authorization to grant subscription options and/or purchasing shares in favor of staff members and/or corporate officers of the Group companies	38 months	July 30, 2011	10% of the share capital on date of the GM	No	10% of the share capital on date of the GM	

21.1.6. Options or agreements concerning the Company's share capital

As of the date of this Reference Document, with the exception of the warrants described in paragraph 15.1.4 and the OCEANE described in paragraph 4.3.5, to the knowledge of the Company, there are no optional mechanisms likely to affect the Company share capital, with the exception of the allotment of bonus shares described below.

The Board of Directors allotted 657,333 bonus shares to the executives and to the first-rank employees of the Group without conditions on the dates indicated below:

01/08/2008	01/30/2008	02/11/2009	06/11/2009
100,000	313,500	44,407	199,426

These various shares will be permanently acquired at the end of a 2 year period from the allotment date and available 2 years after the final acquisition date.

Moreover, under the plan for allocating bonus shares over 2009-2011, on December 17, 2009, the Board of Directors allotted 1,388,278 bonus shares to the executives and first-rank employees of the Group for the financial years 2009, 2010 and 2011, subject to attendance and performance associated with the achievement of financial objectives. At the end of each financial year, the relevant employees can be allotted up to a third of the total amount, subject to the achievement of the attendance and performance conditions. The allotted shares will be permanently acquired on December 17, 2011 and available on December 17, 2013.

In addition, on December 17, 2009, the Board of Directors allotted a bonus of 25,000 shares not subject to attendance and performance. The 25,000 shares allotted were permanently acquired on December 17, 2011 and available on December 17, 2013.

21.1.7. Historical review of the share capital over the last three financial years

The table below details the progression of the capital from July 2004 to December 31, 2009.

Date	Nature of the operation	Share capital
07/01/2004	Capital at the opening of the 2004-2005 financial year	1,790,981
16/08/2004	Exercise of warrants	2,324,315
09/13/2004	Exercise of warrants	2,325,015
10/17/2004	Exercise of warrants	2,325,815
10/20/2004	Equity Line	4,433,815
11/03/2004	Exercise of warrants	4,434,815
11/18/2004	Equity line	4,826,815
01/03/2005	Exercise of warrants	4,829,115
01/28/2005	Exercise of warrants	4,831,515
03/01/2005	Equity line	5,567,251
03/07/2005	Equity line	7,810,765
05/11/2005	Exercise of warrants, conversion of bonds, equity line	8,358,024
06/17/2005	Contribution in kind	8,595,524
06/28/2005	Restricted capital increase	9,595,524
06/30/2005	Capital at the close of the 2004-2005 financial year	9,595,524
07/04/2005	Equity line	11,176,783
09/29/2005	Restricted capital increase, exercise of warrants, equity line	11,432,423
10/28/2005	Exercise of warrants	12,337,371
01/31/2006	Capital increase by public offering	15,117,269
02/27/2006	Exercise of warrants, conversion of bonds	15,289,447
05/08/2006	Exercise of warrants, equity line, restricted capital increase	18,665,757
07/11/2006	Equity line, exercise of warrants	18,842,757
08/11/2006	Equity line, exercise of warrants	18,925,883

Date	Nature of the operation	Share capital
10/27/2006	Equity line, exercise of warrants, PACEO	19,799,813
12/21/2006	Equity line, exercise of warrants, PACEO	23,585,349
12/22/2006	Contribution in kind	25,403,531
31/12/2006	Capital at the close of the fiscal 2005-2006 year (18 months)	25,403,531
02/06/2007	Exercise of warrants, PACEO	29,254,119
03/21/2007	Exercise of warrants, equity line, extinction of debt	31,483,409
07/02/2007	Exercise of warrants, contribution in kind, restricted issue	38,235,117
11/09/2007	Issue of bonus shares, exercise of warrants	38,273,117
12/31/2007	Capital recorded at the close of the 2007 financial year	38,273,117
01/08/2008	Exercise of warrants	38,681,671
06/28/2008	Exercise of warrants	38,900,079
08/27/2008	Exercise of warrants	38,945,804
11/05/2008	Issue of bonus shares, exercise of warrants	39,353,304
12/30/2008	Exercise of warrants	39,746,992
03/18/2009	Issue of bonus shares	39,828,992
05/14/2009	Issue of bonus shares	39,895,207
12/31/2009	Capital recorded at the close of the 2009 financial year	39,895,207

21.2. CONSTITUTION AND ARTICLES OF ASSOCIATION

21.2.1. Corporate purpose (Article 2 of the articles of association)

The direct or indirect purpose of the Company, in France and abroad, both for itself and for the account of third parties is:

1 - All transactions relating to energy in broad terms,

2 - The production of energy in all its forms,

3 - Trade or any transactions of any nature relating to energy in the broadest sense of the term,

4 - All operations for the study, design, development, site supervision, implementation and execution, direct or indirect operation, maintenance, training the company's maintenance personnel for the above-mentioned plants or all sites of any nature, as well as any appraisal on behalf of third parties,

5 - All operations relating to the direct or indirect acquisition of shareholding, in any form whatsoever, in all French or foreign companies as well as the administration, management, the optimization of these holdings and the interventions relating thereto,

6 - Any use of funds for creating, managing and optimizing a portfolio,

7 - And, more generally, all operations of any nature whatsoever, economic, legal, financial, civil or commercial, that may be related to this corporate purpose.

Its corporate purpose is set out in Article 2 of the articles of association.

21.2.2. Legal provisions relating to the administrative and management bodies – Internal charter of the Board of Directors

The below description summarizes the principle provisions of the articles of association and of the internal charter relating to the Board of Directors, in particular its procedures and powers. It likewise summarizes the legal provisions concerning the management.

21.2.2.1. Board of Directors

- Composition of the Board of Directors (extract from Article 12 of the articles of association)

As provided by law, the Company is administered by a Board of Directors composed of three to eighteen members, unless specified otherwise by law and specifically in case of merger; the directors are appointed as required by law. The directors cannot be over seventy years old. A director (or directors) who has reached this age limit shall be reputed to have resigned from office. All members of the Board must be owners of at least 1 share within the time periods set out by law, subject to the exemptions provided by law.

- Term of office (extract from Article 12 of the articles of association)

The term of office of the directors appointed or re-elected to their offices shall be set at 3 years. The term of office of each director shall always be renewable. The directors can be removed at any time by the general shareholders meeting.

- Chairman of the Board of Directors - Office of the Board (Article 13 of the articles of association)

The Board shall appoint from among its members a chairman, a natural person, who can be elected for the entire term of his office as director and who shall be eligible for reelection.

The age limit of the chairman is 70 years of age. When the chairman reaches the age limit, he shall be reputed to have resigned from office.

The acceptance and exercise of the duties of chairman shall entail the commitment by the interested party to affirm that he has met the limitations provided by law with respect to the combined appointments of chairman and director of limited liability corporations

The Board can, if it deems it necessary, designate from among its members one or several vice-chairmen.

Finally, the Board shall appoint a secretary, who can be chosen from outside the Company shareholders.

The chairman shall preside over the sessions of the Board, organize and manage its work, which he shall report to the general meeting. He shall oversee the proper operation of the bodies of the Company and shall in particular ensure that the directors are capable of fulfilling their assignment. The chairman shall preside over the sessions of the general meetings and shall prepare the reports required by law. He shall likewise assume the top management of the Company in the capacity of chief executive officer, if the Board of Directors has chosen to combine these two offices at the time of his appointment.

- Deliberations of the Board of Directors – Minutes (Article 14 of the articles of association)

The Board of Directors shall meet as often as the interests of the Company so require and at least 6 times a year as convened by its chairman made by any means, even orally. The meeting shall take place either at the registered office, or in any other location indicated in the summons made by the chairman.

In the event that the chairman is unavailable, the summons can be made by a director temporarily delegated to the office of chairman, or by a vice-chairman.

When the Board of Directors has not met for more than two months, on the third month its members may require the chairman to summon the Board for a specific agenda. If necessary, the chief executive officer may require the chairman to summon the Board of Directors for a specific agenda.

The Board of Directors can only deliberate validly if at least half its members are present.

Except when provided otherwise by law, the directors participating in the meeting of the board by videoconference or by means of telecommunication permitting their identification, in accordance with the current regulations, shall be reputed to be in attendance for calculating the quorum and the majority.

A director can provide a proxy in writing for another director to represent him. Each director can have only one power-of-attorney during the same session.

An attendance book shall be maintained, which shall be signed by the directors attending the session, and which shall mention, if applicable, the attendance of directors through videoconferencing or telecommunication permitting their identification and guaranteeing their actual attendance. The substantiation of the number of serving directors, of their attendance, including through videoconferencing or telecommunication permitting their identification and guaranteeing their actual attendance, or their representation, shall be sufficient with respect to third parties from the statements of the minutes of each meeting.

The meetings shall be presided by the chairman of the Board of Directors or, in his absence, by the director who may have been temporarily delegated these duties, by a vice-chairman or by any other director designated by his fellow members.

The decisions shall be adopted by a majority of votes of the members present or possibly reputed as such or represented. In case of a tie vote, the chairman shall have the deciding vote.

The Board can decide to create committees or commissions responsible for studying matters that it itself or its chairman submit to their examination for opinion; such committees or commissions shall exercise their prerogatives under its responsibility.

The minutes recording the deliberations of the Board shall be signed by the chairman of the session and by a director, or if the chairman of the session is prevented from doing so, by at least two directors.

The directors, as any person called upon to attend the Board meetings, shall have an obligation of discretion with respect to information of a confidential nature and indicated as such by the chairman of the session.

- Assignment and powers of the Board (Article 15 of the articles of association)

The Board of Directors determines the Company's activity guidelines and oversees their implementation.

With the exception of the powers expressly assigned to shareholder meetings and within the scope of the corporate purpose, it shall take up any matter concerning the proper operation of the Company and shall, through its deliberations, guide the matters concerning it.

The Board of Directors shall conduct the inspections and audits that it deems appropriate.

The chairman or chief executive officer of the Company shall be obligated to forward to each director all the documents and information necessary for accomplishing his assignment.

In exercising its powers, the Board shall, if necessary, grant any delegations to its chairman, or to any other authorized agents that it designates, subject to the restrictions set out by law concerning endorsements, sureties and guarantees; the Board may grant a power of substitution.

21.2.2.2. Top Management (Articles 16 and 17 of the articles of association)

- Methods of exercise

As set out by law, the top management shall be assumed, under its responsibility, either by the chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and holding the title of chief executive officer.

The decision of the Board of Directors as to the choice among these two methods of exercising the top management shall be adopted by the qualified majority of two-thirds of the votes of the members present or possibly reputed as such or represented.

The option selected – and any subsequent option – shall be valid until decided otherwise by the Board of Directors, ruling under the same majority terms.

In any event, the Board must decide on the methods for exercising the top management when appointing or renewing the chief executive officer, if this appointment is dissociated with that of the chairman.

- Top management

Based on the choice made by the Board of Directors pursuant to the provisions of Article 16, the top management shall be assumed either by the chairman of the Board of Directors, or by a natural person, appointed by the Board of Directors and holding the title of chief executive officer.

When the Board of Directors chooses to disassociate the appointments of chairman and chief executive officer, it shall then appoint the chief executive officer from among the directors or outside them, fix the term of his office, determine his remuneration and, if applicable, the restrictions on his powers. He must be less than 65 years old.

Whatever the term for which they have been conferred upon him, the duties of the chief executive officer shall automatically cease at the end of the financial year during which he reaches his sixty-fifth birthday. However, the Board can decide, in the interest of the Company, to exceptionally extend the duties of the chief executive officer beyond this age limit for successive one-year periods. In this case, the duties of the top management must definitively cease no later than the end of the financial year during which he reaches the age of 70.

The acceptance and the exercise of the duties of chief executive officer require the interested party to affirm that he conforms to the restrictions set out by law with respect to the combination of appointments of chief executive officer and director of limited liability corporations.

The chief executive officer can be removed at any time by the Board of Directors. When the chief executive officer does not assume the duties of chairman of the Board of Directors, his removal can give rise to damages if it is decided without a just reason.

- Powers of the chief executive officer

The chief executive officer is vested with the most extensive powers for acting in all circumstances on behalf of the Company. He exercises such powers within the scope of the corporate purpose and with the exception of those that the law expressly assigns to shareholder meetings and to the Board of Directors.

He represents the Company in its relations with third parties. The Company shall be bound even by acts of the chief executive officer that do not fall within the corporate purpose, unless it proves that the third party knew that the act exceeded such purpose or that it could not be ignorant of it given the circumstances, and publication of the articles of association alone shall not constitute sufficient proof. When the top management is assumed by a chief executive officer, the latter may ask the chairman of the Board of Directors to convene the Board of Directors for a specific agenda.

The chief executive officer and the deputy chief executive officers can substitute for all special representatives.

As of the date of registration of this Reference Document, Mr. Marc van't Noordende was chief executive officer of the Company.

21.2.2.3. Deputy chief executive officers (Article 18 of the articles of association)

Upon or through another person, the Board of Directors can appoint one or several natural persons with the title of deputy chief executive officer, to assist the chief executive officer.

The maximum number of deputy chief executive officers is set at five.

They must be less than 65 years old. No matter what term has been conferred upon them, the duties of the deputy chief executive officer(s) shall cease at the end of the financial year during which he attains his sixty-fifth birthday. However, the Board can decide, in the interest of the Company, to exceptionally extend the duties of the deputy chief executive officer or officers beyond this age limit for successive one-year periods. In this case, the duties of the deputy chief executive officer or officers must definitively cease no later than the end of the financial year during which he reaches the age of 70.

In the event that the chief executive officer should cease or be prevented from his duties, unless decided otherwise by the Board of Directors, the deputy chief executive officer or officers shall retain their prerogatives until the appointment of a new chief executive officer.

The deputy chief executive officer or officers can be removed at any time by the Board of Directors, at the proposal of the chief executive officer.

The chief executive officer, together with the Board of Directors shall determine the extent and the duration of the powers granted to the deputy chief executive officers.

The deputy chief executive officers shall have the same powers as the chief executive officer with respect to third parties.

As of the date of registration of this Reference Document, M. Olivier Dubois is deputy chief executive officer of the Company.

21.2.2.4. Internal charter of the Board of Directors

On April 14, 2006, the Company's Board of Directors adopted an internal charter specifying in detail its composition, its organization and its procedures, supplementing the legal, regulatory and legal provisions applicable to the Company.

This internal charter specifies on the one hand the method of organization and operation, the competencies and the powers of the Board of Directors and of the committees that it instituted within it (see paragraph 16.3 "Committees of the Board of Directors"), and on the other hand the methods for controlling and evaluating their operation.

- Assessment and evaluation of the operation of the Board of Directors

Any director or any candidate for appointment to a post as a member of the Board of Directors must fully and immediately inform the Board of any real or potential conflict of interest in which he could, directly or indirectly, be involved, specifically for the purpose of determining whether the concerned director must abstain from the debates and/or from voting in the deliberations.

The directors must verify that no one in the company can exercise unsupervised discretionary power; they must ensure the proper procedures of the special committees created by the Board; they must see to it that the internal control bodies function effectively and that the Legal Auditors satisfactorily perform their task.

At regular intervals, which must not exceed two years, the Board is to conduct an evaluation of its own operation, which is to be conducted by a non-executive director. The first evaluation took place at the time of the board meeting of August 28, 2008.

21.2.3. Rights, privileges and restrictions in respect of the shares

21.2.3.1. Double voting right

A voting right doubling that granted to the other shares, with respect to the proportion of the share capital that they represent is allotted to all the fully paid up shares, which must be shown to be registered to the shareholder for at least two years. In case of a capital increase through the incorporation of reserves, profits or issue premiums, this double voting right will benefit, upon their issuance, the new shares allotted as a bonus to a shareholder owing to the old shares for which it already benefits from this right (Article 23.3 of the articles of incorporation).

21.2.3.2. Legal restrictions on the exercise of voting rights and transfer of shares

The articles of association of the Company do not contain any provision restricting transfers of shares.

Without prejudice to the provisions of Article 7.4 on the loss of voting rights in case of failure to comply with the obligation to disclose the crossing of a threshold (crossing the threshold of 0.5% of the capital and of the voting rights), the articles of association do not contain any restriction on the exercise of voting rights.

21.2.4. Modification of shareholder rights

The rights of the shareholders as they appear in the Company's articles of association can only be modified by the extraordinary general meeting of the Company shareholders.

21.2.5. General meetings of the shareholders (Article 22 of the articles of association)

The general shareholders meetings shall be convened by the Board of Directors or failing this, by the legal auditors, by an authorized agent appointed in legal proceedings, at the request of one or more shareholders together representing at least 5% of the share capital, or of a shareholders association in accordance with Article L225-120 of the commercial code.

The meeting is convened at least fifteen days in advance for the first notice and at least six days in advance for supplemental notices, by means of a notice inserted in a newspaper authorized to publish legal notices in the department in which the registered office is located and in the Compulsory Legal Notice Journal.

Shareholders who have owned registered shares for at least one month on the date of this notice are convened by mail or by any electronic method.

The invitation is preceded by a notice containing all provisions required by law and published in the Compulsory Legal Notice Journal at least 35 days prior to the meeting.

The voting right attached to the redeemed or dividend shares is proportional to the share of the capital that they represent. Each share carries one voting right.

Every shareholder has the right to participate in the meetings and to attend in person, by returning the voting slip by mail or by designating a proxy, subject to nominative registration in the Company registers. These formalities must be completed at least three days prior to the session of the Meeting.

The meetings are presided by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman. Failing that, the meeting itself shall elect its Chairman.

21.2.6. Provisions permitting the delay, deferral or prevention of a change in control of the Company.

The Company articles of association do not contain any provisions permitting the delay, deferral or prevention of a change in control.

21.2.7. Shareholder identification – Crossing legal thresholds (Article 7 of the articles of association)

In order to identify the holders of bearer securities, the Company may at any time, in accordance with the prevailing legislative and regulatory provisions, request from the central securities depository maintaining the issuance account of its securities, information on the holders of securities issued by it, conferring the voting right, as well as the securities, immediately or over time. Based on the list conveyed by the central securities depository responsible for maintaining the issuance account for its securities, the Company may specifically, as set out in the legal and regulatory provisions, require information concerning the ownership of the securities from the persons identified therein and whom it believes to hold shares on behalf of third parties.

If such persons are serving in an intermediary capacity, they are obliged to disclose the identity of the owners of such securities. The information shall be furnished directly to the authorized accounting financial intermediary, the latter being responsible for notifying, as applicable, the Company or the central securities depository.

When it concerns registered securities providing immediate or term access to the capital, the registered intermediary is obligated to reveal the identity of the owners of such securities as well as the quantity of securities held by each of them upon request by the Company or its authorized representative, which can be made at any time.

Whenever the Company deems that some holders whose ownership identity has been disclosed to it are holding the securities on behalf of third party owners of the securities, it shall be entitled to demand that such holders reveal the identity of the owners of those securities.

Thereafter, the Company may also require any legal person holding more than 2.5% of its capital or its voting rights to identify the persons directly or indirectly holding more than one third of the capital and voting rights of the legal person owning shares in the Company.

In case of violation of the above-mentioned obligations, the shares or the securities giving immediate or term access to the capital and for whom such persons have been registered in a ledger, shall be stripped of voting rights for any meeting of the shareholders that would be held until the identity issue is remedied; the payment of the corresponding dividend will be deferred until such date.

Moreover, should the registered person knowingly ignore these obligations, the court in whose jurisdiction the Company's registered office is located may order, at the request of the Company or of one or more of its shareholders holding at least 5% of its capital, the total or partial loss of the voting rights attached to the shares having been subject to a request for information by the Company for a total term that cannot exceed five years, and possibly, for the same period, of the right to payment of the corresponding dividend.

In addition to the obligation set out under Article L. 233-7 of the Commercial Code to notify the Company and the Financial Markets Authority of the crossing of the thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3, 90% and 95% of the capital and of the voting rights, Article 7.4 of the THEOLIA articles of association provides that any natural or legal person, who, acting alone or jointly, comes to hold, directly or indirectly, a percentage of the capital, the voting rights or the securities giving immediate or term access to the capital of the Company, equal to or greater than 0.5% or a multiple of this percentage, is obliged to notify the Company by registered letter with acknowledgement of receipt, indicating the number of voting rights and securities, giving immediate or term access to the capital, which such person possesses, as well as the voting rights attached thereto, within a time limit of five market trading days from the crossing of each such legal threshold.

If such disclosure is not made, the shares exceeding the fraction that ought to have been declared shall be stripped of voting rights in the shareholder meetings, as provided by law, if at such a meeting, the failure to disclose has been recorded in the minutes and if [one] or more shareholders together holding an aggregate 5% or more of the capital or the voting rights of the Company so request at the time of such meeting.

Any natural or legal person shall likewise be obligated to notify the Company in the manner and within the time limits provided above, when its/his direct, indirect or combined holding becomes less than each of the above-mentioned thresholds.

21.2.8. Changes in the share capital (Article 8 of the articles of association)

- Capital increases

The share capital can be increased either through the issuance of common or preferred shares, or by increasing the amount of the nominal amount of the existing equity securities. It can likewise be increased through the exercise of rights attached to the transferable securities providing access to the capital, as set out by law.

New equity securities are issued either at the par value or at this amount increased by an issue premium. They are paid up either by a cash contribution, including by compensation with debts due and payable by the company, or by a contribution in kind, or by incorporation of reserves, profits or issue premiums, or as the result of a merger or division. They can also be paid up following the exercise of a right attached to transferable securities giving access to the capital, including, if applicable, the payment of the corresponding sums.

The shares subscribed in cash issued for a capital increase must compulsorily be paid up for one quarter of their par value at the time of the subscription and, if necessary, for the entire issue premium. The payment of the balance must be done in one or more installments as decided by the Board of Directors within a period of five years from the date when the capital increase becomes final.

Calls for funds are made known to the subscribers or shareholders at least fifteen days prior to the date set for each payment by a notice inserted into the legal notices newspaper of the location of the registered office and by individual registered letter. The payments are made, either to the registered office, or to any other location indicated for such purpose.

Any delay in the payment of the amounts due on the unpaid amount of the shares shall, automatically and without the need for any formality, entail the payment of interest at the legal rate, from the payment due date, without prejudice to the personal action at law that the company may bring against the defaulting shareholder and the specific performance measures provided by law.

The shareholders have, in proportion to the total amount of their shares, a right of first refusal to the subscription of cash shares issued for implementing the capital increase. The shareholders can individually waive their preferential right. They shall moreover possess a right of application for excess shares, if the extraordinary general meeting so decides or expressly authorizes. The extraordinary general meeting that decided or authorized the capital increase may also cancel this preemptive subscription right.

- Redemption of the share capital

The capital may be redeemed by a decision of the extraordinary general meeting, through sums distributable as provided by law. The redeemed shares are said dividend shares; they shall, in the amount of the redemption made, lose the right to any distribution or any repayment on the par value of the securities, but shall retain their other rights.

- Reduction of the share capital – Redemption of the capital

The reduction of the share capital is decided or authorized by the extraordinary general meeting. In no case can it undermine the equality of the shareholders.

The capital can be redeemed as set out by law.

22. MATERIAL CONTRACTS

The Group has not entered into a material contract over the last two financial years other than those concluded within the course of business, with the exception of the contracts presented here following:

- Restructuring of the Océane (described in paragraph 20.8)
- Implementation of the program to sell 200 megawatt of wind assets and projects

THEOLIA finalized the sale of a 100 megawatt portfolio of operating and planned wind farms to RheinEnergie on June 29 2009, a 32 megawatt portfolio in France to Energiequelle on July 16, 2009 and a 9.2 megawatt (MW) portfolio to Boralex, and another 47 megawatt portfolio to Boralex. These sales mark a new stage in the implementation of a program for selling approximately 200 MW of wind projects and assets, and formalize the resumption of the activity disposing of wind farms in Germany. These transactions are likewise presented in paragraph 20.8.

- Disposal of the stake in Thenergo

On December 23, 2008, THEOLIA sold its entire holding in Thenergo (4,716,480 shares) to Hestiun Limited for the amount of 15 million euros. These shares represent 24.02% of the capital of Thenergo, a company listed on the Brussels and Paris Euronext exchanges. The sale of the holding in Thenergo is in accordance with the THEOLIA strategy of concentrating on its wind activities. This transaction is likewise presented in paragraph 20.8

- Acquisition of Maestrale Green Energy

On November 9, 2007, THEOLIA concluded an agreement encompassing the acquisition of 100% of the shares of Maestrale Green Energy, a limited liability corporation incorporated under Italian law, which holds, either directly or through its subsidiaries, a portfolio of projects in Italy in the area of renewable energy and specifically wind energy. The terms of all the agreements concluded between THEOLIA and the former partners of Maestrale Green Energy call for the payment of a price supplement in two tranches as follows: The first relative to the first 100 megawatts authorized will be paid on July 31, 2010, the second is likewise calculated in relation to the number of megawatts authorized and constructible in Italy on agreed projects prior to November 22, 2010.

- Acquisition of CED

On January 4, 2008, THEOLIA acquired 100% of the securities of Compagnie Eolienne du Détroit, a Moroccan company that holds a concession right to a 50.4 MW wind farm in operation in Morocco. This transaction is presented in paragraph 0.

- Acquisition of 35.1% in Ecolutions

On November 16, 2007, the Group acquired a 35.1% holding in Ecoutions KGaA, a German company specialized in the carbon credits trade. This transaction is presented in paragraph 0.

- OCEANES issue

On October 23, 2007, THEOLIA issued convertible bonds (OCEANES) for an amount of 240 million euros. This transaction is presented in paragraph 4.3.5.

- Partnership with GE Energy Financial Services

In February 2007, the Group signed a partnership agreement with GE Energy Financial Services specifically for the purpose of acquiring 165 MW in operation in Germany. The partnership agreement was canceled following the resignation of the directors representing the General Electric group from the THEOLIA Board of Directors on November 28, 2008.

- Acquisition of Natenco Natural Energy Corporation GmbH

On December 27, 2006, the Group acquired Natenco Natural Energy Corporation GmbH, a company incorporated under German law that has wind activities in Germany, India, Brazil, Greece and in the Czech Republic.

23. INFORMATION FROM THIRD PARTIES, EXPERT DECLARATIONS AND INTERESTED PARTY DECLARATIONS

None

24. DOCUMENTS ACCESSIBLE TO THE PUBLIC

The Company's articles of association as well as minutes of the general meeting of the shareholders, the parent company and consolidated financial statements, the Legal Auditors' reports and any other corporate documents may be consulted in paper form at the Company's registered address.

All the information made public by the Group pursuant to Article 221-1 of the General Regulations of the AMF is accessible on the Company's Internet website on the following address: www.theolia.com, and a copy may be obtained at the Company's registered office, 75 rue Denis Papin, 13100 Aix-en-Provence.

25. INFORMATION ABOUT INVESTMENTS

The list of subsidiaries and holdings of the Group as of June 30, 2009 appears in paragraph 7 of this Reference Document.